

SYLLABUS

SUBJECT NAME: INDIRECT TAXATION

CLASS: III B.COM

SUB.CODE:15CMU603A

SEMESTER: VI

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COURSE OBJECTIVE

1. To inculcate students by providing specialized and updated knowledge of indirect taxes.
2. To enhance the students to enable them to take up various professional opportunities offered by Indirect tax.
3. To learn the requirements for registering for, collecting, and remitting GST.
4. To understand how GST applies to Legal fees and disbursements.

LEARNING OUTCOME

This course imparts the knowledge on levy and collection of indirect taxes. It gives thorough knowledge about Customs Duty and Goods and services tax.

Unit I

Introduction to Indirect Tax: Meaning – Features-Types- Objectives – Principles- Cannon of Taxation – Tax system in India- Pros and Cons of Indirect tax- Contribution to government Revenues- Development of Indirect Taxation.

Unit II

Customs Law: Basic Concepts of Customs Law- Different types of customs duty- Abatement of duty in damaged or deteriorated goods- valuation –customs procedure- exemptions- customs duty drawback- Duties free zones- Offense and penalties.

Unit III

Introduction to Goods and Services Tax (GST): Meaning of GST – Basic Concepts Features of GST - Benefits of GST –GST working mechanism– GST rate and Taxes on GST – Goods and Service tax Network (GSTN) – Constitutional Framework of GST – Model GST Law – Chargeability for GST – Composition Scheme.

UNIT IV

Supply: Meaning and Scope- Types of Supply – Time of Supply – Provision relating to time of Supply – Place of supply – Provision relating to place of supply – Valuation mechanism – Input tax credit mechanism – Payment mechanism – Registration under GST-Rules.

UNIT V

Registration under GST: Return Filing- Rules- Refund Provision in GST – E –commerce-operators- TDS/TCS- Small scale exemption.

TEXT BOOK

1. V.S Datey, (2016) “Indirect Taxes ” Taxmann Publication (P) Ltd., New Delhi
2. Simplified approach to GST – A Ready Reference – April 2017.

REFERENCE BOOK

1. V. Balachandran (2015) Indirect taxation, Sultan Chand & sons, New Delhi
2. P. Radhakrishnan (2016) Indirect taxation, Kalyan Publisher , New Delhi
3. Sethurajan (2005) Indirect taxation including Wealth tax, Speed Publication
4. Singhanian (2014) , Indirect taxation,Taxmann Publication(p) ltd., New Delhi
5. DingarePagare, (2014), Business Taxation , Sultan Chand & sons, New Delhi



KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University Established Under Section 3 of UGC Act 1956)
Coimbatore – 641 021.

LECTURE PLAN

DEPARTMENT OF COMMERCE

STAFF NAME : K. KAVITHA & D. PATHMA PRIYA

SUBJECT NAME : ELETIVE – INDIRECT TAXES

SUB.CODE : 15CCU602 A

SEMESTER : VI

CLASS: III B.COM (CA)

S.No	Lecture Duration Period	Topics to be Covered	Support Material/Page No.
UNIT 1			
1	1	Introduction - Meaning and Definition of Tax	T 1 : A/ 1
2	1	Features of Taxation	T 1 : A/ 1 - 2
3	1	Objectives of Taxation	T 1 : A/ 1 - 2
4	1	Principles of Taxation	R1 : 5 - 7
5	1	Meaning of Direct and Indirect taxation	R 2 : 10
6	1	Features of Indirect Taxes	R 1 : 8
7	1	Merits and Demerits of Direct Taxes	R 2 : 10 - 12
8	1	Merits and Demerits of Indirect Taxes	R 2 : 12 - 13
9	1	Differences between Direct and Indirect taxation	R 2 : 14 - 15
10	1	Taxable Capacity	T 1 : A / 7
11	1	Scope of Indirect Taxes	R 2 : 15-16
12	1	Functions of Indirect Taxes	R 2 : 16 - 17
13	1	Shifting of Indirect Taxes	R 2 : 10
14	1	Incidence of Indirect Taxes	R 2 : 18 - 21
15	1	Recapitulation and Important Question Discussion	
Total No. of Hours planned for Unit – I			15 Hours

UNIT 1I			
1	1	Introduction about Central Excise Act	R 1 : 133
2	1	Nature of Central Excise Duty	R 1 : 133 – 134
3	1	Scope of the Central Excise Act	R2 : 92 – 94
4	1	Sources of Central Excise Law	R 1 : 134
5	1	Types of Excise Duty	R 2 : 95 – 97
6	1	Important Definitions under the Central Excise Act – Goods, Excisable Goods, Manufacture 2(f)	R 1 : 135 – 139
7	1	Curing Sec 2(C), Factory 2(E), Central Excise Officer Sec 2(B), Captive Consumption	R 1 : 139 – 140
8	1	Objectives of Excise Duty	R 1 : 140 – 142 R 2 : 95 - 97
9	1	Levy and Collection of Excise Duty	R 2 : 102 – 109
10	1	General Procedure of Central Excise.	R 2 : 109 – 110
11	1	Clearance of goods (or) Types of Excise Control I. Physical Control II. Compounded Levy Scheme	R 1 : 155 – 157
12	1	Removal of goods under Self-assessment Procedures.	R 1 : 157 – 158
13	1	Concessions to SSI units – under Central Excise Act.	R 1 : 167 – 168
14	1	Meaning of CENVAT Features of CENVAT Scheme.	R 1 : 168 – 169
15	1	Recapitulation and Important Question Discussion.	
Total No. of Hours planned for Unit – II			15 Hours
UNIT – III			
1	1	Introduction about Customs Act 1962.	R 2 : 168 – 169
2	1	Features of Customs Duty	R 1 : 86
3	1	Objectives of Customs Duty	R2 : 169 – 170

		Scope of Customs Duty	
4	1	Types of Customs Tariff	R 1 : 87 – 88
5	1	Types of Import Duties	R 1 : 88 – 90
6	1	Important Definitions under the Customs Act – Adjudicating Authority 2 (1), Assessment 2 (2), Board, Coastal Goods, Goods 2 (22), Customs Area, Customs Station.	R 1 : 90 - 91
7	1	Important Definitions under the Customs Act – Dutiable Goods, Export Goods 2(19), Imported Goods 2 (25), Smuggling 2 (39), Conveyance Sec 2(9), Baggage 2 (3), Bonafide Baggage, Warehoused Goods Sec.2 (44)	R 1 : 91 - 92
8	1	Levy of Customs Duty	R 3 : 141 – 150
9	1	Exemption of Customs Duty	R 3 : 151 - 153
10	1	Abatement of Duty in Damaged or Deteriorated Goods	R 3 : 149 - 150
11	1	Remission on Duty on Lost, Destroyed or Abandoned Goods	R 3 : 149 - 150
12	1	Customs Tariff Act 1975	R 1 : 86
13	1	Customs Duty Drawback	R 2 : 198 - 203
14	1	Prohibition on Importation o Exportation of Goods	R 3 : 156 – 159
15	1	Recapitulation and Important Question Discussion.	
Total No. of Hours planned for Unit – III			15 Hours
UNIT - IV			
1	1	Introduction about Central Sales Tax Act 1956	T1 : D / 1 – D / 3
2	1	Features of Central Sales Tax Act 1956 Objectives of Central Sales Tax Act	R 1 : 50
3	1	Important Definitions	R 3 : 59 – 62

4	1	Levy and Collection of Tax Sec – 9 Exemption available under CST	R 3 : 76 – 77
5	1	Sales and Deemed Sales	R 2 : 241 – 244
6	1	Subsequent sales	
7	1	Types of Registration I. Compulsory Registration II. Voluntary Registration	R 3 : 65 – 66
8	1	Differences between Compulsory Registration and Voluntary Registration	R 3 : 71 – 72
9	1	Security from Dealer for Registration	R 2 : 245 – 246
10	1	Procedure for Registration	R 3 : 67 – 70
11	1	Procedure to be followed by the Registering Authority	R 3 : 70
12	1	Differences between Inter- state sales and Intra State Sales	R 1 : 80
13	1	Declaration Forms	R 1 : 76 – 80
14	1	Cancellation of Registration	R 3 : 71
15	1	Recapitulation and Important Question Discussion.	
Total No. of Hours planned for Unit – IV			15 Hours
UNIT V			
1	1	Introduction about VAT	T 1 : B / 156
2	1	Meaning of Goods and Dealers	T 1 : B / 156
3	1	Objectives and Levy of VAT	T 1 : B / 156 – 157
4	1	Features of VAT	T 1 : B / 162 – 163
5	1	Categories of Sales	T 1 : B / 164
6	1	Assessment and Audit	T 1 : B / 164
7	1	Registration of Dealers	T 1 : B / 165
8	1	Input and Output Tax	T 1 : B / 156
9	1	Exempted and Zero Rated Sales	T 1 : B / 168 - 170
10	1	Filing of Returns	T 1 : B / 174 - 175

11	1	Penalties	T 1 : B / 176
12	1	Recapitulation and Discussion of Important questions	
13	1	Discussion of Previous Year End Semester Exam Question Papers	
14	1	Discussion of Previous Year End Semester Exam Question Papers	
15	1	Discussion of Previous Year End Semester Exam Question Papers	
Total No. of Hours planned for Unit – V			15 Hrs.
Total Planned Hours			75 Hours

TEXT BOOK :

Balachandran. V. 2014. *Indirect Taxation*. New Delhi. Sultan Chand & Sons,

REFERNECE BOOKS :

1. **P.Radha Krishnan. R.** 2010. *Indirect Taxation*. New Delhi. Kalyani Publishers.
2. **Dr. Radha and Dr. Parameshwaran. R.** 2013. *Indirect Taxation*. Chennai. Prasanna Publication.

UNIT - I

Unit - I

Introduction to Indirect Tax: Meaning – Features-Types- Objectives – Principles- Cannon of Taxation – Tax system in India- Pros and Cons of Indirect tax- Contribution to government Revenues- Development of Indirect Taxation.

INTRODUCTION TO INDIRECT TAXATION

INTRODUCTION

Indirect Tax is a tax collected by an individual by ‘indirect means’ in a financial term on his sale and purchase by the authority of law under Indian constitution. Indirect tax is one of the branches of tax laws and another is direct tax. Indirect tax is also known as consumption tax because they are based on the ability to pay principle which means a tax which is not levied directly on the incomes of earner or consumer. Collection of indirect was custom earlier then afterwards it becomes a law under which state obliges us to pay the tax. For this collection of tax (whether direct or indirect tax) is collected either by government which is authority of law under constitution of India. All these collected tax is utilized for the development of country as a whole by its distribution based on need of that central, state or local authority’s laws to carry on all his activities. Indirect tax is also known as consumption tax because they are based on the ability to pay principle which means a tax which is not levied directly on the incomes of earner or consumer. Collection of indirect was custom earlier then afterwards it becomes a law under which state obliges us to pay the tax.

Indirect Tax and Direct Tax

In case of direct tax, tax is to be collected in pecuniary term by an individual directly out of income they have earned. But in case of indirect tax, tax is paid indirectly by the consumer out of rest of amount of income earned. In case of direct tax, assesses is bound to pay the tax whether his willingness is there or nor but in case of indirect tax, consumer pays the tax voluntarily. Assessee can only be a person who earns his income under income tax act whereas, in case of indirect tax, a 5 year old child can also be the consumer who pays the tax indirectly. In case of direct tax, assesses pays the tax @ x at income earned and he may not pay the tax if he is

exempted from paying tax in that financial year under tax slabs whereas in case of indirect tax no exemption is provided by the authority of law and consumer has to pay the tax separately from the amount of actual cost of the product which makes the product more costlier.

Paid tax can be claimed back or adjusted in income tax whereas normally it is not always possible in all indirect tax cases. In direct tax, assesses assess his tax to be paid at the end of financial year whereas in case of indirect tax, consumer pays the tax at the time of purchase or sell or rendering of services. As assess directly pays the tax, there is no question of shifting of burden of tax in future but in case of indirect tax, if the goods are transferred from one consumer to the another, the burden of tax is shifted to the subsequent consumer. Indirect tax is a wider concept with regard to direct tax. Indirect tax affects only an individual which does not affect the price or demand of goods directly whereas in case of indirect tax it affects the whole country as well as global market and if the price of goods is increased, the demand of that good may fall down which will indirectly hinder the healthy development of country. Tax evasion is more in direct tax whereas it is comparatively very low in indirect taxation.

Extent of Taxation under Constitution of India:

Under Article 246, the authority can levy tax on various subject matter enumerated under Schedule VII of the constitution Central Government under three list that is union list, state list and concurrent list. Union has right to levy tax on Income Tax (Except on Agricultural Income), Excise (Except on Alcohol and Tobacco) and customs. State Government shall levy tax revenue from sales tax, excise from alcoholic and liquor drinks, and tax on agricultural income. The local self government levy tax from entry tax and house property tax.

When union list is inconsistent with the state list, union list will prevail. Under Article 249, parliament can make laws on state list either when 2/3rd member of Rajya Sabha gives its consent or in case of emergency. Even doctrine of eclipse is also applicable in taxation case, which states that all those British law which were prevailing before independence are not illegal. Only those provisions which are inconsistent with our constitution will be struck down for the time being and other will be applicable in same manner. Under Article 255, when there is a controversy between international law and municipal law, international law will prevail in India.

Constitutional Amendment empowers the Panchayat to levy tax. A State may by law be able to authorise a Panchayat to levy, collect and appropriate taxes, duties, tolls etc. Similarly,

municipalities are also empowered to levy the taxes.

FEATURES OF INDIRECT TAX

1. The Scientific Division of Tax Powers:

India being a federation, there is the existence of a multi-level finance system.

The constitution of India forms the basis of division of powers into:

- (a) Union,
- (b) State, and
- (c) Concurrent.

Based on this the constitution has also made a provision for division of tax powers between the centre and the states.

The area and sphere of taxation of centre and state is clearly demarcated as per constitutional provision. Taxes which are in the purview of central government accounted for 50 percent of its revenue. Some taxes are again levied by the Central government and the proceeds of such taxes are divided between the centre and the state governments.

2. Multiplicity of Tax Structure

India is having a broad based and extensive tax structure. Its main feature is the existence of multiplicity of taxes. There are both union government taxes and state government taxes. The tax structure includes both direct and indirect taxes. In the case of states government indirect taxes play a dominant role, in the composition of tax revenue. Among the direct taxes imposed in India, the most important is income tax. Other prominent taxes are wealth tax capital gains tax, gift tax etc.

The indirect taxes in India Consists of excise duties, customs duties, etc. The important taxes levied by the union government are income tax, corporation tax, central excise duties, wealth tax, gift tax, custom duties etc. The state governments main taxes are land revenue, sale

tax, state excise duties entertainment tax, stamp and registration duties etc. The gross tax revenue of the Central Government grew by 17.6 percent and 19.9 percent in 2003-04 and 2004 – 05, respectively.

3. Larger share of Indirect Taxes

In India in the total tax revenue there is the domination of indirect taxes over direct taxes. Indirect taxes shared 63% in 1950 – 51 where it increased to 77% in 2001-02. It shows that because of the undeveloped character of the economy and glaring inequality in income, the scope of direct taxes is limited.

4. Insufficient Tax Revenue

In spite of rising trend in tax revenue, the total revenue remained small when compared to developed countries. The tax GDP ratio generally remained in the range of 8 percent to 9 percent in India (E. Survey 2005-06) where as it is very high in countries like Sweden, France, West Germany, UK, USA, etc. where the share ranges between 30 to 40 percent.

5. Greater Importance to State Government in Federal Fiscal System:

In Indian fiscal federalism much importance is assigned to state governments. The field within which tax revenue, are raised and spend regularly is very wide in India when compared to many federal governments. This reflects the importance of state government in our federal system. This is because of the growing responsibilities of the state government in the discharge of developmental activities.

6. Incidence of Taxation

In India the incidence of taxation is much higher in urban areas than in rural areas this is because of the predominance of agriculture in rural area and low income of rural households. The urban population depends more on service and business sector and enjoys comparatively higher income and taxpaying capacity.

7. Progressiveness in Tax Structure:

Indian tax structure is framed in such a way that all indices of ability to pay is taxed. The direct tax is framed in such a way that as tax base increases, tax rate also rises sharply. Excise duties are levied and collected discriminately, depending on the type of commodity and the class

of consumers.

8. Narrow Base

Fiscal experts opine that the tax base is very narrow in India in the case of both direct and indirect taxes. A planning commission estimate shows that only one percent of working population comes under the preview of direct tax. In 2000 – 01, total income tax on the corporate income was only 2.6 percent GDP. Out of a population of more than 100 crores, around 10 million are coming under the Income tax belt. The indirect tax to GDP ratio is only 5.4 percent in 2003- 04. The service sector, though contributing the largest share in GDP was not subject to tax till 1993-94.

9. Complexity of Indian Tax Laws:

With the intension of broad based tax system, a plethora of changes have been introduced in the tax structure. However both direct and Indirect tax laws are highly complex, with a lot of loopholes which enable the people to avoid as well as to evade taxes. In this context Prof. Kaldore observes –there are definitional defects in India's tax system, which gives elaborate power to tax authorities to interpret tax laws according to their whims and fancies. This has generated wide spread corruption in tax departments.

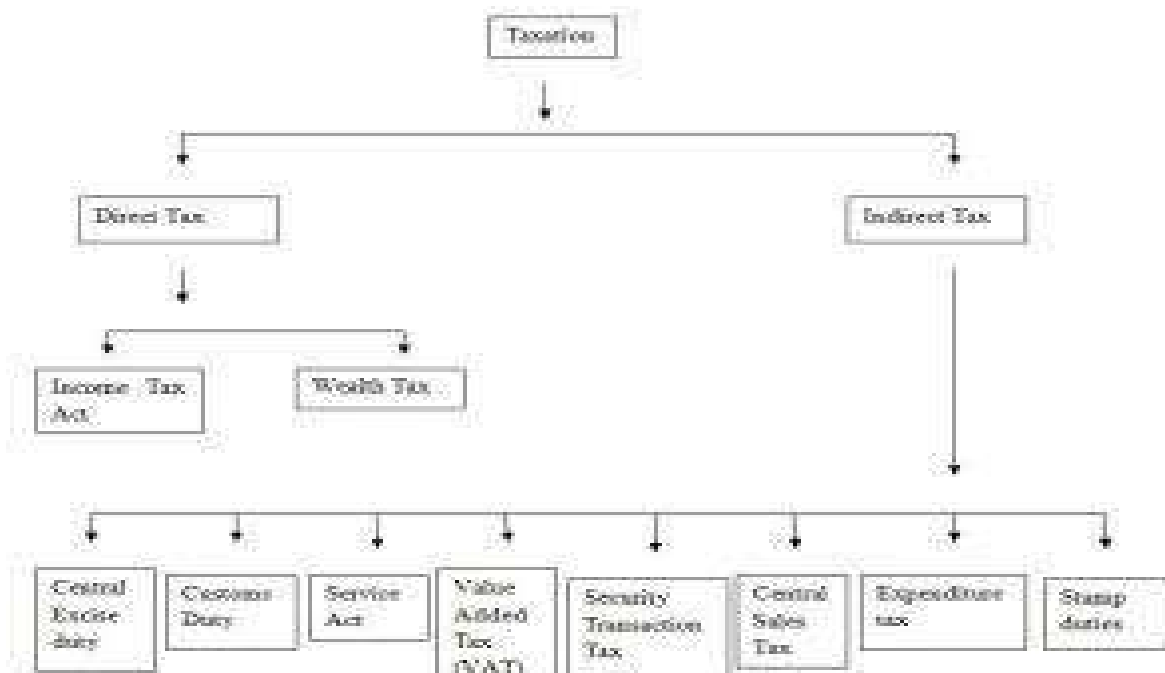
10. Integration between Centre and State Revenue:

After independence concrete efforts were made to organize the tax structure scientifically in tune with the requirements of a federal set of government. At present there is well-organized machinery for the collection distribution and expenditure of the revenue. Now the tax system is well structured to generate sufficient revenue to meet the requirements of development objectives. However we can point out a number of short comings in Indian tax structure. It is usually argued that Indian tax system is unscientific because it doesn't provide any stimulation for production investment and saving activities of the government.

TYPES OF INDIRECT TAX

We all knew that Tax law is divided into two parts that is direct and indirect tax. This direct and indirect tax are further classified as Direct tax includes Income Tax Act and Wealth

Act, where as Indirect tax is classified as Central Excise duty, Customs duty, Service tax, Central sales tax, Value added tax, and miscellaneous. Almost each and every branch of law is classified into different sub-heads, likewise taxation is classified as follows in form of this chart:-



It is an indirect tax levied and collected on the excisable goods manufactured or produced in India (**excluding alcohol and tobacco**) which has its marketability and which is known to the market or which already exists in the market. Central excise duty is also being levied to ores and minerals which are extracted from the earth. Manufacturer of marketable goods is liable to pay the excise duty to the government on the day when the goods are taken out the door of manufacturing unit. He is bound to pay to pay duty on all goods manufactured or produced in India unless and until it is exempted by the law. Exemption is given to develop the country is that; manufacturer is not bound to pay the excise duty on the goods exported out of India provided that specified quantum of quality and quantity is too maintained. This was done to increase the exportation in India. The duty of Central Excise is levied if the following conditions are satisfied:

- (1) The duty is on goods.
- (2) The goods must be excisable.
- (3) The goods must be manufactured or produced.
- (4) Such manufacture or production must be in India.

Unless and until these above conditions are not satisfied, excise duty cannot be levied upon excisable goods. Manufacturer is liable to pay the duty and for this he need not necessarily be an Owner of raw material. Law related to central excise Act:

1. Central Excise Act, 1944(CEA): The basic Act which provides the constitutional power for charging of duty, valuation etc.

2. Central Excise Tariff Act, 1985 (CETA): This classifies the goods under 96 chapters with specific codes assigned.
3. Central Excise Rules, 2002: It deals with the procedural aspects of excise duty. The rules given under rules are implemented or come into force after issue of notification.
4. Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000: This rule deals with the provisions of valuation of excisable goods.
5. Central vat Credit Rules, 2004: This rule deals with provisions relating to Cenvat Credit and its utilization.

The Central Excise Tariff Act 1985 defines the term –excisable goods which means the goods which are specified in the First Schedule and the Second Schedule. It is mandatory to pay Excise duty on the goods manufactured, unless and until exempted by law^[10]. Other exemptions are also notified by the Government from the payment of duty by the manufacturers. The following persons shall be liable to pay excise duty:

1. A person, who produces or manufactures any excisable goods,
2. A person, who stores excisable goods in a warehouse,
3. In case of molasses, the person who procures such molasses,
4. In case goods are produced or manufactured on job work,
 - i. The person on whose account goods are produced or manufactured by the job work,
or
 - ii. The job worker, where such person authorizes the job worker to pay the duty leviable on such goods.

- **Service Tax**

The interesting thing about Service Tax in India is that the Government depends heavily on the **voluntary compliance** of the service providers for collecting Service Tax in India. When it was introduced initially there were three services which were liable but over the years various

other services have been added and today more than a hundred services are liable under service tax. One of the main reasons for the services to be taxed is the fact that the manufacturing sector can be taxed only to a certain extent and if we want to maintain the healthy completion and growth, all the activities are to be taxed which is also important for justice and equity. The service providers in India except those in the state of Jammu and Kashmir are required to pay a Service Tax under the provisions given in Chapter V and VA of the Finance Act of 1994 for the time being. Service Tax Act enacted on 1994. Under this Act, service tax is levied on gross or aggregate amount of service on receiver by the service provider. Under rule 6, tax is to be paid on the value received and central government can also grant exemptions long with making rules under this rule with the span of time for the time being.

The service tax act is not applicable to the state of Jammu and Kashmir. This act has defined service provider as well as service receiver. This tax can only be levied if the service transaction takes place between these two defined service provider and service receiver and not in another case. The concept of service receiver has been widened to cover all kinds of service receivers in last couple of years as many service providers has been emerged in this global market and now it is a matter of academic interest. The service provider is bound to pay the tax on the service provided by him to the service receiver, when he collects value of service from service receiver.

- **Value Added Tax**

VAT is kind of indirect tax. It is paid at each state of sale on the value added to a product. Value Added Tax Act is enacted to levy VAT. For an instance, A extracted iron ore, so a will pay tax on quantum of iron ore sold to B. this iron ore becomes raw material for B and if B manufactures steel sheets, then a new product it invented with new purpose and if b sells this sheet to C and c manufactures steel good then again a new product with new use is invented. In this case B and C both have to pay VAT at different rates as their final product is different. Thus, it can said that VAT is imposed ifa new goods is invented which has different purpose, different

name and different characteristics. If any of these essential elements is not fulfilled then, VAT cannot be imposed. Thus, it is multi point levy of VAT on supply chain upon each entity. VAT rates vary from state to state on petrol, tobacco, alcohol etc. VAT rates are administered by state governments and it is similar to sales tax. VAT is levied or charged as soon as some value is added to the raw material. The value addition in the hands of each of the entities is subject to tax. VAT can be computed by using any of the three methods:

1. Subtraction method: Difference between the value of output and the cost of input is taken out and tax is applied on that difference.
2. The Addition method: All the payments that is payable to the factors of production are added and thud value added is computed.
3. Tax credit method: This entails set-off of the tax paid on input.

VAT helps in avoiding problem of double taxation of goods and services. There is no incidence of cascading effect in VAT as it is imposed on value added at every stage. Thus, final consumer pays tax only on the value added which tend to make this tax system simple with absolute transparency.

- **Central sales Tax**

Central sales tax is levied upon a dealer on sale of all goods during their transaction in inter-state trade or commerce or in outside state trade transaction. This transaction can be inter-state sale even if the seller and buyer are from same state but goods are transferred from one state to another under contract of sale during their transition by transfer of documents. The state from where the goods are moved out, tax will be levied on that sate based on that state sales rate. Sales tax cannot be levied upon the sale or purchase of good outside that state and import and export of any goods outside the India. If sale is made to reseller and tax exempted institutions are two conditions where this Central Sales Tax is exempted.

Sales Tax are of two kinds- **Central Sales Tax** which is to be levied on inter-state sale and **purchase of goods** by the parliament and another is Sales Tax which is to be levied on commerce trade sales at various rates under Sales Tax Act by the State government who can also impose additional tax charge as purchase tax, turnover tax etc. Thus, Sales Tax helps in generating major revenue for different State governments. In India, most of states have supplemented their Sales Tax with VAT.

There are some instances wherein the goods are moved out of the selling state and yet they are not considered interstate sales:-

1. Intra-state sales
2. Stock transfer from head office to branch & vice versa
3. Import and Export sales or purchases
4. Sale through commission agent / on account sales
5. Delivery of Goods for executing works contract

- **Customs duty**

In India, Custom duty is one of the most important branch of Indirect Tax. Customs Act and Foreign Trade Order are two main acts under Custom duty. This Act was enacted to prevented illegal imports and exports of the goods. It is also subjected to secure Indian Currency exchange rate by minimizing imports in India and to secure indigenous industries. The rate at which this custom duty is to be levied upon imported or exported goods from India are specified under Custom Tariff Act.

Under the custom laws, the various types of duties are leviable.

1. Basic Duty
2. Additional Duty (Countervailing Duty) (CVD)
3. Additional Duty to compensate duty on inputs used by Indian manufacturers

4. Anti-dumping Duty
5. Protective Duty
6. Duty on Bounty Fed Articles
7. Export Duty
8. Cess on Export
9. National Calamity Contingent Duty
10. Education Cess
11. Secondary and Higher Education Cess
12. Road Cess
13. Surcharge on Motor Spirit

Central Government has power to issue any notification regarding import and export in port and airports in India by deciding the routed of goods to be imported or exported inside or outside India respectively. Central Board of Excise Customs (CBEC) has issued –Indian Customs Tariff Guidel where Custom duty goods have been classified and various tariff rulings are included. It also includes imported and manufactured goods of warehousing. If a person brings any baggage from abroad, he has to pay tax on that baggage.

- **Expenditure Tax**

Expenditure tax is levied to hotels having room charges of more than Rs 1,200 per day per person under Expenditure Tax Act, 1987 and not below that. It is collected at the rate of 10 percent towards food, room, beverages and other services from customers and the collected amount is deposited by owner to the central government.

- **Stamp Duties**

Stamp duties are paid on rates basis. This –rates|| are mainly prescribed by central government legislation under The Indian Stamp Act 1899, and some documents rates are revised

by state government legislation. This duty is levied on documents (promissory notes, insurance policies, bill of exchange etc.), contracts affecting both transfer of shares and transfer of immovable property. Purchaser normally pays stamp duties contracts affecting transfer of shares and transfer of immovable property.

- **Securities Transaction Tax (STT)**

STT is the stock exchange transaction based tax. It is applied in case of purchase and sell of equity (equity shares, equity oriented funds and equity oriented mutual funds) and derivatives. Person has to pay the STT only in one condition, whereby he becomes investor. He only has to pay the STT @10 % flat on gain by selling his shares before 12 months which is short term capital gain. If he sells his shares after 12 month, then it is long term capital and he is not required to pay the tax. However, these gains are treated as business or trading tax and it can be claimed back or can be adjusted in tax to be paid.

OBJECTIVES OF INDIRECT TAX

1. ***Tax Planning:***

Identify, recommend and successfully implement indirect tax projects that assist in achieving the objectives of the indirect tax department part of the business objectives.

2. ***Tax Accounting***

Proactively anticipate on changes in the business and outside the business and successfully communicate these changes to the concerning departments. Furthermore look after a correct implementation of these changes.

3. ***Tax Compliance:***

Look after a correct, complete and timely Indirect Tax reporting of all entities. This includes that additional reporting relating to these Indirect Tax returns is taken into account.

4. *Tax Governance:*

All corporate departments are well informed and/or have the availability of a VAT work instruction so it is clear when to consult the indirect tax department.

5. *Support Other Departments:*

Activities of departments that are being affected by VAT risks have been successfully identified and these departments have been well instructed to reduce these risks.

6. *Audit Defence*

Roles and responsibilities have been determined who deals with the tax authorities during an audit (announcement) and tax authorities questions and procedures –how to actll (e.g. appoint one contact person, never provide documents without first making copies) have been documented and rolled out.

PRINCIPLES OF INDIRECT TAX

1. Productivity or Fiscal Adequacy:

An important principle of a good tax system for a developing country is that it should yield adequate amount of resources for the Government so that it should be able to perform its increasing welfare and developmental activities. If the tax system fails to yield enough resources, the Government will resort to deficit financing.

2. Elasticity of Taxation:

Another principle of taxation suitable for the developing countries is the principle of elasticity of taxation. According to the concept of elasticity of the taxation system, as national

income increases as a result of economic growth, the Government revenue from taxes should also increase.

In developing countries, the share of tax revenue as a proportion of national income is low as compared to the developed countries. This share of tax revenue will rise as national income increases, if the tax system is sufficiently elastic. Progressive taxation of income and wealth provides this elasticity to the tax system. Impositions of higher indirect taxes on luxury goods having a high income elasticity of demand also makes the tax system elastic.

3. Diversity:

A good tax system should follow the principle of diversity. This implies that there should not be a single or a few taxes from which Government seeks to raise large revenue. This is because if a Government tries to get large revenue from a single tax or few taxes, it will have to raise the rates of taxation too high which will not only adversely affect the incentives to work, save and invest but also encourage evasion of taxes.

4. Taxation as an Instrument of Economic Growth:

In a developing economy such as ours, taxation should serve as an instrument of economic growth. Economic growth is primarily a function of rate of capital formation. If in the development strategy public sector has been assigned an eminent place, then capital formation in the public sector must occur at a relatively higher rate.

This calls for mobilization of resources by the Government so as to finance capital formation in public sector. Therefore, a good tax system for a developing country will be such as will enable the Government to mobilise adequate resources for capital formation or economic growth.

5. Taxation as an Instrument for Improving Income Distribution:

A good tax system for a developing economy should also serve as an instrument for reducing economic inequalities. The purpose of a good tax system for a developing economy is not merely to raise revenue for the Government but also to ensure that burden of taxes falls more

on the rich. This requires that the rates of progressive direct taxes on income, wealth, expenditure, capital gains etc., must be sufficiently high. This objective of reducing income inequalities will be better served if a good part of the tax revenue is used for poverty alleviation programmes.

6. Taxation for Ensuring Economic Stability:

A tax system must also ensure economic stability. Economic fluctuations have been a big problem in the developed countries and for reducing these fluctuations taxation can play a useful role. For this purpose, tax system must have built-in-flexibility. To have built-in-flexibility, the taxation system must be progressive in relation in the changes in national income.

CANNON OF TAXATION

Canons of taxation refer to the administrative aspects of a tax. They relate to the rate, amount, and method of levy and collection of a tax. In other words, the characteristics or qualities which a good tax should possess are described as canons of taxation. It must be noted that canons refer to the qualities of an isolated tax and not to the tax system as a whole. A good tax system should have a proper combination of all kinds of taxes having different canons.

1. Canon of Equality

Every fiscal economist, along with Adam Smith, stresses that taxation must ensure justice. The canon of equality or equity implies that the burden of taxation must be distributed equally or equitably in relation to the ability of the tax payers. Equity or social justice demands that the rich people should bear a heavier burden of tax and the poor a lesser burden. Hence, a tax system should contain progressive tax rates based on the tax-payer's ability to pay and sacrifice.

2. Canon of Certainty:

Taxation must have an element of certainty. According to Adam Smith, –the tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the

manner of payment, the amount to be paid ought to be clear and plain to the contributor and to every other person.¶

The certainty aspects of taxation are:

1. Certainty of effective incidence i.e., who shall bear the tax burden.
2. Certainty of liability as to how much shall be the tax amount payable in a particular period. This the tax payers as well as the exchequer should unambiguously know.
3. Certainty of revenue i.e., the government should be certain about the estimated collection of revenue from a given tax levied.

3. Canon of Economy:

This principle suggests that the cost of collecting a tax should not be exorbitant but be the minimum. Extravagant tax collection machinery is not justified. According to Adam Smith, –Every tax has to be contrived as both to take and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.¶

Owing to the complex and ever-changing nature of taxation laws in India, government has to maintain elaborate tax collection machinery with a large staff of highly trained personnel involving high administrative costs and inordinate delay in assessment and collection of tax.

4. Canon of Convenience:

According to this canon, tax should be collected in a convenient manner from the tax payers. Adam Smith stresses: –Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it.¶ For example, it is convenient to pay a tax when it is deducted at source from the salaried classes at the time of paying salaries.

5. Canon of Elasticity:

Taxation should be elastic in nature in the sense that more revenue is automatically fetched when income of the people rises. This means that taxation must have built-in flexibility.

6. Canon of Productivity:

This implies that a tax must yield sufficient revenue and not adversely affect production

in the economy.

7. Canon of Simplicity:

This norm suggests that tax rates and tax systems ought to be simple and comprehensible and not to be complex and beyond the understanding of the layman. This is what is rarely found in the Indian tax structure.

8. Canon of Diversity:

Canon of diversity implies that there should be a multiple tax system of diverse nature rather than having a single tax system. In the former case, the tax payer will not be burdened with a high incidence of tax in the aggregate.

9. Canon of Expediency:

This suggests that a tax should be determined on the ground of its economic, social and political expediency. For instance, a tax on agricultural income lacks social, political or administrative expediency in India and that is why the government of India had to discontinue it.

TAX SYSTEM IN INDIA

Tax is a payment compulsorily collected from individuals or firms by government. A direct tax is levied on the income or profits of an individual or a company. The word ‘direct’ is used to denote the fact that the burden of tax falls on the individual or the company paying the tax and can not be passed on to anybody else. For example, income tax, corporate tax, wealth tax etc. An ‘indirect’ tax is levied on manufacturing and sale of goods or services. It is called ‘indirect’ because the real burden of such a tax is not borne by the individual or firm paying it but is passed on to the consumer. Excise duty, customs duty, sales tax etc.

There Are Two Categories of Taxes in India, These Are –

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DIRECT TAXES

- These taxes are levied directly on the persons.
- These contribute major chunk of the total taxes collected in India.

Some of the direct taxes are-

1. Income Tax-

This is a type of tax levied on the individuals whose income falls under the taxable category (2.5 lakhs per annum). The Indian Income Tax Department is governed by CBDT and is part of the Department of Revenue under the Ministry of Finance, Govt. of India. Income tax is a key source of funds that the government uses to fund its activities and serve the public.

2. Corporate Income Tax –

This is the tax levied on the profits a corporate house earned in a year. In India, the Corporate Income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year.

3. Securities Transaction Tax-

Introduced in 2004, STT is levied on the sale and purchase of equities. more clearly, The income an individual generates through the securities market be it through reselling of shares or through

Transaction Tax.

4. Banking Cash Transaction Tax -

A bank transaction tax is a tax levied on debit (and/or credit) entries on bank accounts. It can be automatically collected by a central counterparty in the clearing or settlement process.

INDIRECT TAXES-

You go to a super market to buy goods or to a restaurant to have a mouthful there at the time of billing you often see yourself robbed by some more amount than what you enjoyed of , these extra amounts are indirect taxes, which are collected by the intermediaries and when govt tax the income of the intermediaries this extra amount goes in to government's kitty, hence as the name suggests these are levied indirectly on common people.

Some examples of Indirect Taxes are-



1. Value Added Tax

When we pay an extra amount of price for the goods and services we consume or buy, that extra amount of money is called as VAT. This taxes is about to be replaced by Goods and Services Tax.

Current rate-

On agricultural goods-4%

On luxury items- 20%

2. Customs Duty –

Customs Duty is a type of indirect tax levied on goods imported into India as well as on goods exported from India. In India, the basic law for levy and collection of customs duty is Customs Act, 1962. It provides for levy and collection of duty on imports and exports.

3. Excise Duty –

An excise or excise tax is an inland tax on the sale, or production for sale, of specific goods or a tax on a good produced for sale, or sold, within a country or licenses for specific activities. Excises are distinguished from customs duties, which are taxes on import.

4. Service Tax-

Service Tax is a tax imposed by Government of India on services provided in India. The service provider collects the tax and pays the same to the government. It is charged on all services except the services in the negative list of services.

Current rate- 12

Funds provided by taxation are used by governments to carry out the functions such as:

- military defence
- enforcement of law and order
- redistribution of wealth
- economic infrastructure — roads, ports etc

- social welfare
- social infrastructure like education, health etc
- social security measures like pensions for the elderly, unemployment benefits

Taxation System in India

India has a well developed tax structure. Being a federal country, the authority to levy taxes is divided between the central government and the state governments. The central government levies direct taxes such as personal income tax and corporate tax, and indirect taxes like customs duties, excise duties and central sales tax (CST). CST is assigned to the States in which it is collected. (Art.269). The states have the constitutional power to levy sales tax apart from various other local taxes like entry tax, octroi, etc.

Service Tax

Service tax was first imposed in 1994. Today the rate is 12% and a 3% education cess is additionally imposed. More than 100 services are being taxed.

The service sector has emerged as an important area of economic activity. Reasons for taxing services

- Its share in the country's Gross Domestic Product (GDP) has increased from about 28% in 1951, to 55% (2011).
- Taxing services is important to raise resources and increasing the tax-GDP ratio
- service providers should share the tax burden with others-industry

Service Tax and Indian Constitution

- The 88th amendment to the Constitution (2004) amended Article 270 (made it divisible) and inserted in the Union List (List I) entry No. 92C — 'taxes on services'.
- The amendment to the Constitution places services tax formally under the Union List, This will pave the way for the Centre to levy and collect the tax.

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- The amendment becomes redundant with the introduction of GST in 2011 where the services will be jointly taxed by Centre and States.

GST

- Goods and Services Tax is a multi-point sales tax with set off for tax paid on purchases of inputs. There is no cascading (tax on tax) effect as there is deduction or credit mechanism for taxes paid for the inputs. The tax is levied on the value added and on consumption only. Total burden of the tax is exclusively borne by the domestic consumer. Exports are not subject to GST.
- The goods and service tax (GST) is proposed to be a comprehensive indirect tax levy on manufacture and sale of goods as well as services at a national level. Integration of goods and services taxation would give India a world class tax system and improve tax collections. It would end the long standing distortions of differential treatments of manufacturing and service-sector. The introduction of goods and services tax will lead to the abolition of taxes such as octroi, Central sales tax, State level sales tax, entry tax, etc and eliminate the cascading effects tax on tax.

Constitutional Amendment for GST

Constitution (One Hundred and Fifteenth Amendment), Bill, 2011 (OST Bill) was introduced in the Parliament in the budget session in March 2011, deals with GST. The Bill seeks to introduce Goods and Services Tax (GST) and the GST Council. As per the existing structure of indirect taxation, the Parliament has the power to make laws on the manufacture of goods and the provision of services (Union List) while the State Legislatures have the power to make laws on the sale and purchase of goods within their respective states (State List). The Parliament has retained the exclusivity to make laws pertaining to sale of goods in the course of inter-state trade or commerce.

PROS AND CONS OF INDIRECT TAX

Advantages of Indirect Taxes:

Indirect taxes have advantages of their own.

(i) The Poor Can Contribute:

They are the only means of reaching the poor. It is a sound principle that every individual should pay something, however little, to the State. The poor are always exempted from paying direct taxes. They can be reached only through indirect taxation.

(ii) Convenient:

They are convenient to both the tax-prayer and the State. I he tax-payers do not feel the burden much partly because an indirect tax is paid in small amounts and partly because it is paid only when making purchases. But the convenience is even greater due to the fact that the tax is –price-coatedll.

It is wrapped in price. It is like a sugar-coated quinine pill. Thus, a tobacco tax is not felt when it is included in the price of every cigarette bought. It is convenient to the State as well which can collect the tax at the ports or at the factory.

(iii) Non-evadable:

They cannot be evaded, as they are a part of the price. They can be evaded only when the taxed article is not consumed, and _his may not always be possible‘

(iv) Elastic:

They are very elastic in yield, imposed on necessities of life which have an inelastic demand. Indirect taxes on necessities yield a large revenue, because people must buy these things.

(v) **Equitable:** When imposed on luxury or goods consumed by the rich, they are equitable. In such cases, only the .Veil-to-do will pay the tax.

(vi) Check Harmful Consumption: .

By being imposed on harmful products, they can check consumption of harmful commodities. That is why tobacco, wine and other intoxicants are taxed.

Disadvantages of Indirect Taxes:

Indirect taxes have some disadvantages too, which are as follows:

(i) Regressive:

Indirect taxes are not equitable. For instance, salt tax in India fell more heavily on the poor than on the rich, as it had to be paid at the same rate by all. Whether a rich man buys a commodity or a poor man, the price in the market is the same for all. The tax is wrapped in the price. Hence, rich and poor pay the same amount, which is obviously unfair. They are thus; regressive.

(ii) Uncertain:

Unless indirect taxes are imposed on necessities, we cannot be sure of the revenue yield. In the case of goods, with an elastic demand, the tax might not bring in much revenue. The tax will raise the price and contract the demand. When the thing is not purchased, the question of the tax payment does not arise.

(iii) Raising Prices Unduly:

They cause the price of an article to rise by more than the tax. A fraction of the money unit cannot be calculated, so every middleman tends to charge more than the tax. This process is cumulative.

(iv) Uneconomical:

The cost of collection is quite heavy. Every source of production has to be guarded. Large administrative staff is required to administer such taxes. This turns out to be a costly affair.

(v) No Civic Consciousness:

-2015-2018

These taxes do not develop civic consciousness, because many times the tax-payer does not even know that he is paying tax. The tax is concealed in the price.

(vi) Harmful to Industries:

They discourage industries if raw materials are taxed. This will raise the cost of production and impair their competitive capacity.

DEVELOPMENT OF INDIRECT TAXATION

1. Indirect taxes continue to grow while direct taxes stagnate:

Whether the need is to finance targeted stimulation programs for a local economy, or whether it is to generally make up for the gaps left behind by a shrinking economy, indirect taxes have proven to be the first choice for generating revenue for governments in many countries. Also, as VAT/GST systems are spreading, VAT/GST rates are rising and excise taxes are increasing on an almost global scale.

2. Indirect taxes are adapting to new economic realities:

Indirect taxes are strongly intertwined with the economy given the fact that an object taxed is an economic transaction, such as the sale of a good or the provision of a service. If the nature of these transactions or the way that such transactions are handled change, this immediately has a strong impact on indirect taxation.

E-commerce and virtual currencies are on the radar of an increasing number of governments, and they are adapting their tax systems to capture these transactions.

3. The global trade landscape is changing fast:

While governments are counting on exports for growth, they are at the same time restricting imports. On the positive side, it should be mentioned that countries are negotiating measures to facilitate trade. In constant search for revenue, jurisdictions have started to increasingly focus on the customs tax base.

4. Tax authorities are focusing on enforcement of indirect taxes:

Tax audits are changing. Tax and customs inspectors are increasingly using modern technology tools to access real-time comparative figures and data when auditing businesses. They are sharing more information, and tax administrations around the world are implementing electronic auditing of businesses' financial records and systems.

PART – B POSSIBLE QUESTIONS

Unit I

1. Features of Indirect Tax- Discuss
2. Types of Indirect tax –Explain
3. What are the Objectives of Indirect Tax?
4. Briefly Explain the Principles of Taxation .
5. Discuss in detail the tax system in India.
6. What are the Advantages and Disadvantages of Indirect tax?
7. Contribution to government Revenues- discuss.
8. Briefly explain Development of Indirect Taxation.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPARTMENT OF COMMERCE
III B. Com. (CA)
ELECTIVE - INDIRECT TAXES (15CCU602 A)

S. No.	QUESTIONS	OPT. 1	OPT. 2	OPT. 3	OPT.4
UNIT - I					
1	_____ will get tax revenue from sales tax,excise on liquor.	state government	central goverbmen	local authorities	revenue department
2	sales tax,central sales tax is levied by _____	state government	individual state	administration of	centralgovernment
3	tax is derived from latin word _____	taxone	individual state	taxore	taxmine
4	tax state to cover his share of the cost to _____	central governme	individual state	general public se	consumers
5	tax imposes a _____ on the taxpayers	compulsory oblig	individual state	direct obligation	indirect obligation
6	The basicpurpose of taxation is _____	Increasing revenu	raising revenue	enormous revenu	imposes revenue

7	Abnormal demand will be reduced , _____ can be achieved	economic stability	inflation	deflation	increasing demand
8	Removal of regional imbalances,the government can use _____	tax policy	tax measures	tax exemptions	tax concessions
9	Payment of tax through banks will be another measure of _____	compulsory	convenience	collection	adequate service
10	lesser demand means _____ of industrialization	lower price	lower growth	lower supply	lower rate
11	Indirect taxes _____ the prices of products	Increase the price	decrease the price	inflation	deflation
12	Indirect taxes are included in the _____ of the commodities	Purchase price	Product price	selling price	spending amount
13	Direct taxes are based on the principle of _____ to pay	willingness	ability	wealth	income

14	direct taxes create _____ among tax payers	confidence	consciousness	capability	responsibility
15	consumers paid _____ while purchasing commodities	large amounts	small amounts	medium amounts	enlarge amounts
16	Indirect taxes are _____ in nature	progressive nature	regressive	poor	regressive
17	Tax evasion as _____ part of the price of goods	tax ability	tax paying	tax forms	tax arise
18	tax rates creates _____ leading to increase in cost	Taxability	deflation	Inflation	tax evasion
19	Impact of _____ falls on the manufacturer.	excise duty	sales tax	customs duty	Vat
20	collection of Indirect tax constitute over _____ of the tax revenue.	75%	81%	71%	86%

21	Political factors are influencing _____ of government.	tax returns	tax evasion	tax policy	tax system
22	Concurrent list contain entries of _____ and stae governments	Union	central	exclusive	constitution
23	state government has exclusive powers enumerated in _____ in seventh schedule	List I	List II	List IV	List V
24	Heavy duties on non-essential goods,discourage the _____ of such goods.	Sales	Consumption	Production	Purchase
25	Employment opportunities can be created by _____	tax concessions	tax exemptions	tax evasions	tax system
26	The _____ of collection of tax,moree productive in abministration	lower the cost	higher the cost	medium of cost	escaping cost
27	Simplicity of tax laws will enable _____ to the taxpayers	tax compliance	tax evasion	tax effort	tax exemption

28	Tax evasion as _____	tax system	tax effort	tax forms	taxcost
29	Tax is levied on other than _____	products	services	goods	cost
30	_____ are levied on higher rate of taxes	luxurious articles	gifts	consumable goods	commodities
31	principle of economy is achieved in case of _____	Indirect tax	direct tax	sales tax	customs duty
32	Indirect taxes are those which strike the citizen income in _____	private consumption	public consumption	common consumption	property consumption
33	Tax liability increase in the same proportion is called _____	Proportional tax	progressive taxation	regressive taxation	degressive taxation
34	_____ in a system in which taxes are levied only on one subject.	single tax	multiple tax	relative tax	commodity tax

35	Increase in rates of Indirect tax leads to _____	Increase in cost	Increase in price	Increase in goods	Increase in value of goods
36	Taxation acts as an _____	Instrument of public finance	Instrument of value addition	Instrument of price control	Instrument of resource allocation
37	Economic transformation of developing countries generate _____	generation of value added	generation of savings	generation of capital	generation of interest
38	Indirect taxes are imposed _____ on goods	production	consumption	marketing	servicing
39	_____ central government is empowered to impose	customs duty	safeguard duty	excise duty	additional duty
40	Tax must be collected in a _____ manner from the tax players	possible	economic	convenient	certain
41	Maximum tax paying capacity of the economy as a whole is _____	relative taxable capacity	absolute taxable capacity	determining capacity	none of these

42	Tax evasion is comparatively _____ in the case of organised sector	less	higher the cost	medium	very less
43	Imposition of indirect taxes creates _____ in the use of production	imbalance	burden	balance	imburden
44	The consumption of harmful goods _____ increases social welfare	economy	social welfare	services	priority sector
45	Major components of the economic process initiated in _____	tax reform	tax policy	tax consultation	tax excising
46	Tax liability as a proportion of income falls with increase in tax payers	degressive taxation	progressive taxation	regressive taxation	none of these
47	The principle implies that the cost of tax collection must be _____	maximum	minimum	medium	none of these
48	The surplus of production over the minimum of _____ required to be produce	consumption	production	sales	none of these

49	The central excise is compared to the _____	direct tax	indirect tax	servicetax	principle of equity
50	paying tax first and take _____	capital	goods	interest	penalty
51	_____ is the sacrifice in the payment of tax	priority	revalance	payment	benefit
52	The cost of collection of tax is _____ of the governement	high	low	medium	normal
53	The amount of paying tax is _____ price of commodity	higher	low	normal	verylow
54	Indirect tax have been contributing not less than _____ in 1980	85%	80%	75%	65%
55	_____ is the largest source of single revenue source	customs duty	excise duty	VAT	service tax

56	Major components of the economic process initiated _____ in tax reform	1981	1985	1991	1999
57	_____ in India comprises a system of customs and duties	Indirect tax	service tax	customs duty	direct tax
58	The process of indirect tax system in the country began in _____	1995	1985	1992	1999
59	_____ is very less in Indirect taxation	tax empowerment	tax evasion	tax rules	tax appointment
60	Traders are charge _____ price in actual rate tax	less	very high	high	very less

S. No.	ANSWER
1	state government
2	central government
3	taxore
4	general public service
5	personal obligation
6	raising revenue

7	economic stability
8	tax measures
9	convenience
10	lower growth
11	Increase the price
12	selling price
13	ability
14	consciousness
15	small amounts
16	regressive
17	tax ability
18	Inflation
19	excise duty
20	71%
21	tax policy
22	union
23	List II
24	Production
25	tax concessions
26	lower the cost
27	tax compliance
28	tax forms
29	goods

30	gifts
31	direct tax
32	private consumption
33	proportional taxation
34	single tax
35	Increase in cost
36	Instrument of resource
37	generation of savings
38	consumption
39	economic
40	convenient
41	absolute taxable capacity
42	less
43	balance
44	social welfare
45	tax reform
46	regressive taxation
47	minimum
48	consumption
49	indirect tax
50	interest
51	revalence
52	high

53	higher
54	75%
55	2
56	1991
57	direct tax
58	1985
59	tax evasion
60	less

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UNIT - III

SYLLABUS

Customs Duty : Different Types of Customs Import Duties – Abatement of Duty in Damaged or Deteriorated Goods – Remission on Duty on Lost, Destroyed or Abandoned Goods – Customs Tariff Act – 1985 – Customs Duty Drawback

CUSTOMS DUTY

INTRODUCTION

Custom Duty is imposed under the Indian Customs Act formulated in 1962 by the Constitution of India under the Article 265, which states that “no tax shall be levied or collected except by authority of law. So, the Indian Custom Act was introduced that allow the Central Government to collect the taxes under the name of Custom Duty. Custom Duties are usually levied with ad valorem rates and their base is determined by the domestic value of the imported goods calculated at the official exchange rate. Similarly, export duties are imposed on export values expressed in domestic currency. Export duties are levied occasionally to clear up excess profitability in international price of goods in respect of which domestic prices may be low at given time. But the concept of import duty is wide and almost universal, except for a few goods like food grains, fertilizer, life saving drugs and equipment etc.

The Indian Customs Duties are major source of revenue for the Union Government and constitute around 30% of its tax revenues. Together

with Central Excise duties, the contribution amount to nearly three-fourth of total tax revenue of the Union Government.

Custom duty not only raises money for the Central Government but also helps the government to prevent the illegal imports and illegal exports of goods from India. The Central government has emergency powers to increase import or export duties whenever necessary after a notification in the session of Parliament.

MEANING OF CUSTOMS DUTY

Customs duty is a duty or tax, which is levied by Central Govt. on import of goods into, and export of goods from, India. It is collected from the importer or exporter of goods, but its incidence is actually borne by the consumer of the goods and not by the importer or the exporter who pay it. These duties are usually levied with ad valorem rates and their base is determined by the domestic value 'the imported goods calculated at the official exchange rate. Similarly, export duties are imposed on export values expressed in domestic currency's Scope and coverage of customs law.

There are two Acts, which form part of Customs Law in India, namely, the Customs Act 1962 and Customs Tariff Act, 1975:

1. THE CUSTOMS ACT, 1962

The Customs Act. 1962 is the basic Act for levy and collection of customs duty in India. It contain various provisions relating to imports and exports of goods and merchandize as well as baggage of persons arriving in India. The main purpose of Customs Act, 1962 is the prevention of illegal imports and exports of goods. The Act extends to the whole of the India. It was extended to Sikkim w.e.f. 1st October 1979.

2. THE CUSTOMS TARIFF ACT, 1975

The Customs Duty is levied on goods imported or exported from India at the rates specified under the Customs Tariff Act, 1975. The Act contains two schedules - Schedule 1 gives classification and rate of duties for imports, while schedule 2 gives classification and rates of duties for exports. In the present Act, the Tariff Schedule was replaced in 1986. The new Schedule is based on Harmonised System of Nomenclature (HSN). the Internationally accepted Harmonised Commodity Description and Coding System

FEATURES AND OBJECTIVES OF CUSTOM DUTIES

- Regulating the amount of import in India in order to protect the domestic market.
- Protecting Indian Industry from undue competition
- Prohibiting certain imports of goods for achieving the policy objectives of the government
- Regulating imports
- Coordinating legal provisions with other laws dealing with foreign exchange such as Foreign Trade Act, Foreign Exchange Regulation Act, Conservation of Foreign Exchange and
- Prevention of Smuggling Act, etc.

All import goods are classified into categories known as called “headings” and “subheadings” (Harmonised System Codes) for the purpose of levy of duty. For each sub-heading, a specific rate of duty has been prescribed in the Customs Tariff Act, 1975

TYPES OF CUSTOMS TARRIF

Regardless of whether a tariff is bound or applied on preferential versus non-discriminatory basis, the tariff can take several forms. The most common is

an **ad valorem tariff**, which means that the customs duty is calculated as a percentage of the value of the product. Many countries' tariff schedules also include a variety of **non ad valorem tariffs**.

- ❖ **Specific tariffs** are computed on the physical quantity of the good being imported, e.g., Australia's 2005 schedule includes a tariff of \$1.22/kg on certain types of cheeses and the United States charges \$0.68 per live goat. The physical quantity may be expressed in ways that are difficult to determine without laboratory equipment. The European Union charges duties on certain dairy products based on the weight of lactic matter in the product, and the United States charges a tariff on raw cane sugar that varies with the sucrose content of sugar: "1.4606 cents/kg less 0.020668 cents/kg for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.943854 cents/kg."
- ❖ **Mixed tariffs** are expressed as either a specific or an ad valorem rate, depending on which generates the most (or sometimes least) revenue. For example, Indian duties on certain rayon fabrics are either 15 percent ad valorem or Rs. 87 per square meter, whichever is higher.
- ❖ **Compound tariffs** include both ad valorem and a specific component. For example, Pakistan charges Rs. 0.88 per liter of some petroleum products plus 25 percent ad valorem.
- ❖ **Tariff rate quotas** are made up of a low tariff rate on an initial increment of imports (the within-quota quantity) and a very high tariff rate on imports entering above that initial amount.

Trade economists typically argue that these non ad valorem tariffs are less transparent and more distorting, i.e., that they drive a bigger wedge between

domestic and international prices. In addition, their economic impact changes as world prices change.

The share of tariff lines with non ad valorem rates varies across countries. WITS Advanced Query can compute the share of non-ad valorem tariff lines when it profiles a country's tariff schedule.

TYPE OF CUSTOMS DUTIES

While Customs Duties include both import and export duties, but as export duties contributed only nominal revenue, due to emphasis on raising competitiveness of exports, import duties alone constituted major part of the revenue from Customs Duties. The import duties are imposed under The Customs Act, 1962 and Customs Tariff Act, 1975. The structure of Customs Duties includes the following:

BASIC CUSTOMS DUTY

All goods imported into India are chargeable to a duty under Customs Act, 1962. The rates of this duty, popularly known as basic customs duty, are indicated in the First Schedule of the Customs Tariff Act, 1975 as amended from time to time under Finance Acts. The duty may be fixed on ad –valorem basis or specific rate basis. The duty may be a percentage of the value of the goods or at a specific rate. The Central Government has the power to reduce or exempt any good from these duties

AUXILIARY DUTY OF CUSTOMS

This duty is levied under the Finance Act and is leviable all goods imported into the country at the rate of 50 per cent of their value. However this statutory rate has been reduced in the case of certain types of goods into different slab rates based on the basic duty chargeable on them. Additional

(Countervailing) Duty of Customs This countervailing duty is leviable as additional duty on goods imported into the country and the rate structure of this duty is equal to the excise duty on like articles produced in India. The base of this additional duty is c.i.f. value of imports plus the duty levied earlier. If the rate of this duty is on ad-valorem basis, the value for this purpose will be the total of the value of the imported article and the customs duty on it (both basic and auxiliary).

EXPORT DUTIES

Under Customs Act, 1962, goods exported from India are chargeable to export duty. The items on which export duty is chargeable and the rate at which the duty is levied are given in the customs tariff act, 1975 as amended from time to time under Finance Acts. However, the Government has emergency powers to change the duty rates and levy fresh export duty depending on the circumstances.

CESSES

Cesses are leviable on some specified articles of exports like coffee, coir, lac, mica, tobacco (unmanufactured), marine products, cashew kernels, black pepper, cardamom, iron ore, oil cakes and meals, animal feed and turmeric. These cesses are collected as parts of Customs Duties and are then passed on to the agencies in charge of the administration of the concerned commodities.

EDUCATION CESS ON CUSTOMS DUTY

An education cess has been imposed on imported goods w.e.f. 9-7-2004. The cess will be 2% of the aggregate duty of customs excluding safeguard duty, countervailing duty, Anti Dumping Duty.

PROTECTIVE DUTIES

'Tariff Commission' has been established under Tariff Commission Act, 1951. If the Tariff Commission recommends and Central Government is satisfied that immediate action is necessary to protect interests of Indian industry, protective customs duty at the rate recommended may be imposed under section 6 of Customs Tariff Act. The protective duty will be valid till the date prescribed in the notification.

COUNTERVAILING DUTY ON SUBSIDISED GOODS

If a country pays any subsidy (directly or indirectly) to its exporters for exporting goods to India, Central Government can impose Countervailing duty up to the amount of such subsidy under section 9 of Customs Tariff Act.

ANTI DUMPING DUTY ON DUMPED ARTICLES

Often, large manufacturer from abroad may export goods at very low prices compared to prices in his domestic market. Such dumping may be with intention to cripple domestic industry or to dispose of their excess stock. This is called 'dumping'. In order to avoid such dumping, Central Government can impose, under section 9A of Customs Tariff Act, anti-dumping duty upto margin of dumping on such articles, if the goods are being sold at less than its normal value. Levy of such anti-dumping duty is permissible as per WTO (world trade organisation) agreement. Anti dumping action can be taken only when there is an Indian industry producing 'like articles'.

SAFEGUARD DUTY

Central Government is empowered to impose 'safeguard duty' on specified imported goods if Central Government is satisfied that the goods are being imported in large quantities and under such conditions that they are causing or

threatening to cause serious injury to domestic industry. Such duty is permissible under WTO agreement. Safeguard duty is a step in providing a need-based protection to domestic industry for a limited period, with ultimate objective of restoring free and fair competition

NATIONAL CALAMITY CONTINGENT DUTY

A National Calamity Contingent Duty (NCCD) of customs has been imposed vide section 129 of Finance Act, 2001. This duty is imposed on pan masala, chewing tobacco and cigarettes. It varies from 10% to 45%. - - NCCD of customs of 1% was imposed on PFY, motor cars, multi utility vehicles and two wheelers and NCCD of Rs 50 per ton was imposed on domestic crude oil, vide section 134 of Finance Act, 2003.

DEFINITIONS

- (1) "Adjudicating authority" means any authority competent to pass any order or decision under this Act, but does not include the Board, [Commissioner (Appeals)] or Appellate Tribunal;
 - (1A) "Aircraft" has the same meaning as in the Aircraft Act, 1934 (22 of 1934);
 - (1B) "Appellate Tribunal" means the Customs, Excise and Gold (Control) Appellate Tribunal constituted under section 129.1
- (2) "Assessment" includes provisional assessment, reassessment and any order of assessment in which the duty assessed is nil;
- (3) "Baggage" includes unaccompanied baggage but does not include motor vehicles;
- (4) "Bill of entry" means a bill of entry referred to in section 46;
- (5) "Bill of export" means a bill of export referred to in section 50;
- (6) "Board" means the [Central Board of Excise and Customs constituted under

the Central Boards of Revenue Act, 1963 (54 of 1963));

(7) “Coastal goods” means goods, other than imported goods, transported in a vessel from one port in India to another;

(7A) Commissioner (Appeals)” means a person appointed to be a Commissioner of Customs (Appeals) under sub-section (1) of section 4;

(8) “Commissioner of Customs”, except for the purposes of Chapter XV, includes an Additional Commissioner of Customs;]

(9) “Conveyance” includes a vessel, an aircraft and a vehicle;

(10) “Customs airport” means any airport appointed under clause (a) of section 7 to be a Customs airport;

(11) “Customs area” means the area of a customs station and includes any area in which imported goods or exported goods are ordinarily kept before clearance by Customs Authorities;

(12) “Customs port” means any port appointed under clause (a) of section 7 to be a customs port; [and includes a place appointed under clause (aa) of that section to be an inland container depot];

(13) “Customs station” means any customs port, customs airport or land Customs station;

(14) “Dutiable goods” means any goods which are chargeable to duty and on which duty has not been paid;

(15) “Duty” means a duty of customs leviable under this Act;

(16) “Entry” in relation to goods means an entry made in a bill of entry, shipping bill or bill of export and includes in the case of goods imported or to be exported by post, the entry referred to in section 82 or the entry made under the regulations made under section 84;

(17) “Examination”, in relation to any goods, includes measurement and weighing thereof

(18) “Export” with its grammatical variations and cognate expressions, means

- taking out of India to a place outside India;
- (19) “Export goods” means any goods which are to be taken out of India to a place outside India;
- (20) “Exporter”, in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner or any person holding himself out to be the exporter;
- (21) “Foreign-going vessel or aircraft” means any vessel or aircraft for the time being engaged in the carriage of goods or passengers between any port or airport in India and any port or airport outside India, whether touching any intermediate port or airport in India or not, and includes-
- (i) Any naval vessel of a foreign government taking part in any naval exercises;
 - (ii) Any vessel engaged in fishing or any other operations outside the territorial waters of India;
 - (iii) Any vessel or aircraft proceeding to a place outside India for any purpose whatsoever;
- (22) “Goods” includes -
- (a) Vessels, aircrafts and vehicles;
 - (b) Stores;
 - (c) Baggage;
 - (d) Currency and negotiable instruments; and
 - (e) Any other kind of movable property;
- (23) “Import”, with its grammatical variations and cognate expressions, means bringing into India from a place outside India;
- (24) “Import manifest” or “import report” means the manifest or report required to be delivered under section 30;
- (25) “Imported goods” means any goods brought into India from a place outside India but does not include goods which have been cleared for home

consumption;

- (26) “Importer”, in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer;
- (27) “India” includes the territorial waters of India;
- (28) “Indian customs waters” means the [waters extending into the sea up to the limit of contiguous zone of India under section 5 of the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976)] and includes any bay, gulf, harbour, creek, or tidal river;
- (29) “Land customs station” means any place appointed under clause (b) of section 7 to be a land customs station;
- (30) “Market price”, in relation to any goods, means the wholesale price of the goods in the ordinary course of trade in India;
- (31) “Person-in-charge” means -
- (a) In relation to a vessel, the master of the vessel;
 - (b) In relation to an aircraft, the commander or pilot-in-charge of the aircraft ;
 - (c) In relation to a railway train, the conductor, guard or other person having the chief direction of the train;
 - (d) In relation to any other conveyance, the driver or other person in charge of the conveyance;
- (32) “Prescribed” means prescribed by regulations made under this Act;
- (33) “Prohibited goods” means any goods the import or export of which is subject to any prohibition under this Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been complied with;

- (34) "Proper officer", in relation to any functions to be performed under this Act, means the officer of customs who is assigned those functions by the Board or the [Commissioner of Customs;]
- (35) "Regulations" means the regulations made by the Board under any provision of this Act;
- (36) "Rules" means the rules made by the Central Government under any provision of this Act;
- (37) "Shipping bill" means a shipping bill referred to in section 50;
- (38) "Stores" means goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting;
- (39) "Smuggling", in relation to any goods, means any act or omission which will render such goods liable to confiscation under section 111 or section 113;
- (40) "Tariff value", in relation to any goods, means the tariff value fixed in respect. thereof under sub-section (2) of section 14;
- (41) "Value", in relation to any goods, means the value thereof determined in accordance with the provisions of sub-section (1) of section 14;
- (42) "Vehicle" means conveyance of any kind used on land and includes a railway vehicle;
- (43) "Warehouse" means a public warehouse appointed under section 57 or a private warehouse licensed under section 58;
- (44) "Warehoused goods" means goods deposited in a warehouse;

PURPOSE AND REASON FOR PROHIBITION ON IMPORTATION (OR) EXPORTATION OF GOODS

IMPORT / EXPORT RESTRICTIONS / PROHIBITIONS UNDER CUSTOMS LAW

1. Under sub-section (d) of section 111 and sub-section (d) of Section 113, any goods which are imported or attempted to be imported and exported or attempted to be exported, contrary to any prohibition imposed by or under the Customs Act or any other law for the time being in force shall be liable to confiscation. Section 112 of the Customs Act provides for penalty for improper importation and Section 114 of the Customs Act provides for penalty for attempt to export goods improperly. In respect of prohibited goods the Adjudicating Officer may impose penalty upto five times the value of the goods. It is, therefore, absolutely necessary for the trade to know what are the prohibitions or restrictions in force before they contemplate to import or export any goods.
2. The terms "Prohibited Goods" have been defined in sub-section 33 of Section 2 of the Customs Act as meaning "any goods the import or export of which is subject to any prohibition under the Customs Act or any other law for the time being in force".
3. Under section 11 of the Customs Act, the Central Government has the power to issue Notification under which export or import of any goods can be declared as prohibited. The prohibition can either be absolute or conditional. The specified purposes for which a notification under section 11 can be issued are maintenance of the security of India, prevention and shortage of goods in the country, conservation of Foreign Exchange, safeguarding balance of payments etc. The Central Govt. has issued many notifications to prohibit import of sensitive goods such as coins, obscene books, printed waste paper containing pages of any holy books, armored guard, fictitious stamps, explosives, narcotic drugs, rock salt, saccharine, etc.

4. Under Export and Import Policy, laid down by the DGFT, in the Ministry of Commerce, certain goods are placed under restricted categories for import and export. Under section 3 and 5 of the Foreign Trade (Development and Regulation) Act, 1992, the Central Government can make provisions for prohibiting, restricting or otherwise regulating the import of export of the goods. As for example, import of second hand goods and second hand capital goods is restricted. Some of the goods are absolutely prohibited for import and export whereas some goods can be imported or exported against a license. For example export of human skeleton is absolutely prohibited whereas export of cattle is allowed against an export licence. Another example is provided by Notification No.44(RE-2000) 1997 dated 24.11.2000 in terms of which all packaged products which are subject to provisions of the Standards of Weights and Measures (Packaged Commodities) Rules, 1997, when produced/packed/sold in domestic market, shall be subject to compliance of all the provisions of the said Rules, when imported into India. All packaged commodities imported into India shall carry the name and address of the importer, net quantity in terms of standard unit of weights measures, month and year of packing and maximum retail sale price including other taxes, local or otherwise. In case any of the conditions is not fulfilled, the import of packaged products shall be held as prohibited, rendering such goods liable to confiscation.
5. Another restriction under the aforesaid Notification issued by the Ministry of Commerce is that the import of a large number of products, presently numbering 133, are required to comply with the mandatory Indian Quality Standards (IQS) and for this purpose exporters of these products to India are required to register themselves with Bureau of

Indian Standards (BIS). Non-fulfillment of the above requirement shall render such goods prohibited for import.

6. Import and export of some specified goods may be restricted/prohibited under other laws such as Environment Protection Act, Wild Life Act, Indian Trade and Merchandise Marks Act, Arms Act, etc. Prohibition under those acts will also apply to the penal provisions of the Customs Act, rendering such goods liable to confiscation under section 111(d) of the Customs Act (for import) and 113 (d) of the Customs Act (for export).
7. Any Importer or Exporter for being knowingly concerned in any fraudulent evasion or attempted evasion of any prohibition under the Customs Act or any other law for the time being in force in respect to any import or export of goods, shall be liable to punishment with imprisonment for a maximum term of three years (seven years in respect of notified goods) under section 135 of the Customs Act. Any person who is reasonably believed to be guilty of an offence, punishable under section 135, may be arrested under the provisions of section 104 of the Customs Act.
8. Keeping in view the above penal provisions in the Customs Act to deal with any deliberate evasion of prohibition/restriction of import of export of specified goods, it is advisable for the Trade to be well conversant with the provisions of EXIM Policy, the Customs Act, as also other allied Acts. They must make sure that before any imports are effected or export planned, they are aware of any prohibition/restrictions and requirements subject to which alone goods can be imported/exported, so that they do not get penalised and goods do not get involved in confiscation etc. proceedings at the hands of Customs authorities.

POWER TO PROHIBIT IMPORTATION OR EXPORTATION OF GOODS-

- (1) If the Central Government is satisfied that it is necessary so to do for any of the purposes specified in sub-section (2), it may, by notification in the Official Gazette, prohibit either absolutely or subject to such conditions (to be fulfilled before or after clearance) as may be specified in the notification, the import or export of goods of any specified description.
- (2) The purposes referred to in sub-section (1) are the following
 - (a) The maintenance of the security of India;
 - (b) The maintenance of public order and standards of decency or morality;
 - (c) The prevention of smuggling;
 - (d) The prevention of shortage of goods of any description;
 - (e) The conservation of foreign exchange and the safeguarding of balance of payments;
 - (f) The prevention of injury to the economy of the country by the uncontrolled import or export of gold or silver;
 - (g) The prevention of surplus of any agricultural product or the product of fisheries,-
 - (h) The maintenance of standards for the classification, grading or marketing of goods in international trade;
 - (i) The establishment of any industry;
 - (j) The prevention of serious injury to domestic production of goods of any description;

- (k) The protection of human, animal or plant life or health;
- (l) The protection of national treasures of artistic, historic or archaeological value;
- (m) The conservation of exhaustible natural resources;
- (n) The protection of patents, trademarks and copyrights;
- (o) The prevention of deceptive practices;
- (p) The carrying on of foreign trade in any goods by the State, or by a Corporation owned or controlled by the State to the exclusion, complete or partial, of citizens of India.
- (q) The fulfilment of obligations under the Charter of the United Nations for the maintenance of International peace and security;
- (r) The implementation of any treaty, agreement or convention with any country;
- (s) The compliance of imported goods with any laws which are applicable to similar goods produced or manufactured in India;
- (t) The prevention of dissemination of documents containing any matter which is likely to prejudicially affect friendly relations with any foreign State or is derogatory to national prestige;
- (u) The prevention of the contravention of any law for the time being in force; and
- (v) Any other purpose conducive to the interests of the public.

LEVY OF, AND EXEMPTION FROM, CUSTOMS DUTIES

30[27A] INTEREST ON DELAYED REFUNDS

If any duty ordered to be refunded under sub-section (2) of section 27 to an applicant is not refunded within three months from the date of receipt of application under sub-section (1) of that section, there shall be paid to that applicant interest at such rate, not below ten per cent and not exceeding thirty per cent per annum as is for the time being fixed by the Board, on such duty from the date immediately after the expiry of three months from the date of receipt of such application till the date of refund of such duty:

PROVIDED that where any duty, ordered to be refunded under sub-section (2) of section 27 in respect of an application under sub-section (1) of that section made before the date on which the Finance Bill, 1995 receives the assent of the President, is not refunded within three months from such date, there shall be paid to the applicant interest under this section from the date immediately after three months from such date, till the date of refund of such duty.

Explanation: Where any order of refund is made by the Commissioner (Appeals), Appellate Tribunal or any court against an order of the 23[Assistant Commissioner of Customs or Deputy Commissioner of Customs] under sub-section (2) of section 27, the order passed by the Commissioner (Appeals), Appellate Tribunal or, as the case may be, by the court shall be deemed to be an order passed under that sub-section for the purposes of this section.

5[28]. NOTICE FOR PAYMENT OF DUTIES, INTEREST, ETC.

(1) When any duty has not been levied or has been short-levied or erroneously refunded, or when any interest payable has not been paid, part paid or erroneously refunded, the proper officer may,-

- (a) in the case of any import made by any individual for his personal use or by government or by any educational, research or charitable institution or hospital, within one year;
- (b) in any other case, within six months, from the relevant date, serve notice on the person chargeable with the duty or interest which has not been levied or charged or which has been short-levied or part paid or to whom the refund has erroneously been made, requiring him to show cause why he should not pay the amount specified in the notice:

PROVIDED that where any duty has been levied or has been short-levied or the interest has not been charged or has been part paid or the duty or interest has been erroneously refunded by reason of collusion or any willful mis-statement or suppression of facts by the importer or the exporter or the agent or employee of the importer or exporter, the provisions of this sub-section shall have effect as if for the words "one year" and "six months", the words "five years" were substituted.

Explanation : Where the service of the notice is stayed by an order of a court, the period of such stay shall be excluded in computing the aforesaid period of one year or six months or five years, as the case may be.

- (2) The proper officer, after considering the representation, if any, made by the person on whom notice is served under sub-section (1), shall determine the amount of duty or interest due from such person (not being in excess of the amount specified in the notice) and thereupon such person shall pay the amount so determined.
- (3) For the purposes of sub-section (1), the expression "relevant date" means,-
 - (a) in a case where duty is not levied, or interest is not charged, the date on which the Proper officer makes an order for the clearance of the goods;

- (b) in a case where duty is provisionally assessed under section 18, the date of adjustment of duty after the final assessment thereof;
- (c) in a case where duty or interest has been erroneously refunded, the date of refund;
- (d) in any other case, the date of payment of duty or interest.]

31[28A]. POWER NOT TO RECOVER DUTIES NOT LEVIED OR SHORT-LEVIED AS A RESULT OF GENERAL PRACTICE

32[(1) NOTWITHSTANDING ANYTHING CONTAINED IN THIS ACT, IF THE CENTRAL GOVERNMENT IS SATISFIED-

- (a) that a practice was, or is, generally prevalent regarding levy of duty (including non-levy thereof) on any goods imported into, or exported from India; and
- (b) that such goods were, or are, liable-
 - (i) to duty, in cases where according to the said practice the duty was not, or is not being, levied,
 - or
 - (ii) to a higher amount of duty than what was, or is being , levied, according to the said practice, then the Central Government may, by notification in the Official Gazette, direct that the whole of the duty payable on such goods, or, as the case may be, the duty in excess of that payable on such goods, but for the said practice, shall not be required to be paid in respect of the goods on which the duty was not, or is not being, levied, or was, or is being, short-levied, in accordance with the said practice.]

33[(2) Where any notification under sub-section (1) in respect of any goods has been issued, the whole of the duty paid on such goods, or, as the case may be, the duty paid in excess of that payable on such goods, which would not have been paid if the said notification had been in force, shall be dealt with in accordance with the provisions of sub-section (2) of section 27:

PROVIDED that the person claiming the refund of such duty, or, as the case may be, excess duty, makes an application in this behalf to the 23[Assistant Commissioner of Customs or Deputy Commissioner of Custom], in the form referred to in sub-section (1) of section 27, before the expiry of six months from the date of issue of the said notification.]

30[28AA. INTEREST ON DELAYED PAYMENT OF DUTY

34[Subject to the provisions contained in section 28AB, where a person,] chargeable with the duty determined under sub-section (2) of section 28, fails to pay such duty within three month from the date of such determination, he shall pay, in addition to the duty, interest at such rate not below ten per cent and not exceeding thirty per cent per annum, as is for the time being fixed by the Board, on such duty from the date immediately after the expiry of the said period of three months till the date of payment of such duty:

PROVIDED that where a person chargeable with duty determined under sub-section (2) of section 28 before the date on which the Finance Bill, 1995 received the assent of the President, fails to pay such duty within three months from such date, then, such person shall be liable to pay interest under this section from the date immediately after three months from such date, till the date of payment of such duty.

Explanation 1 : Where the duty determined to be payable is reduced by the Commissioner (Appeals), Appellate Tribunal or, as the case may be, the court, the date of such determination shall be the date on which an amount of duty is first determined to be payable.

Explanation 2 : Where the duty determined to be payable is increased or further increased by the Commissioner (Appeals), Appellate Tribunal or, as the case may be, the court, the date of such determination shall be,-

- (a) for the amount of duty first determined to be payable, the date on which the duty is so determined;
- (b) for the amount of increased duty, the date of order by which the increased amount of duty is first determined to be payable;
- (c) for the amount of further increase of duty, the date of order on which the duty is so further increased.]

29[28AB. INTEREST ON DELAYED PAYMENT OF DUTY IN SPECIAL CASES

- (1) Where any duty has not been levied or has been short levied or erroneously refunded by reason of collusion or any wilful mis-statement or suppression of facts, the person who is liable to pay the duty as determined under sub-section (2) of section 28, shall, in addition to the duty, be liable to pay interest at such rate not below ten per cent and not exceeding thirty per cent per annum, as is for the time being fixed by the Board, from the first day of the month succeeding the month in which the duty ought to have been paid under this Act, but for the provisions contained in sub-section (2) of section 28, till the date of payment of such duty.
- (2) For the removal of doubts, it is hereby declared that the provisions of sub-section (1) shall not apply to cases where the duty became payable before the date on which the Finance (No. 2) Act, 1996 receives the assent of President.

Explanation 1 : Where the duty determined to be payable is reduced by the Commissioner (Appeals), the Appellate Tribunal or, as the case may be, the court, the interest shall be payable on such reduced amount of duty.

Explanation 2 : Where the duty determined to be payable is increased or further increased by the Commissioner (Appeals), the Appellate Tribunal or, as the case may be, the court, the interest shall be payable on such increased or further increased amount of duty.]

7[28B. DUTIES COLLECTED FROM THE BUYER TO BE DEPOSITED WITH THE CENTRAL GOVERNMENT

- (1) Notwithstanding anything to the contrary contained in any order or direction of the Appellate Tribunal or any court or in any other provision of this Act or the regulations made thereunder, every person who has collected any amount from the buyer of any goods in any manner as representing duty of customs, shall forthwith pay the amount so collected to the credit of the Central Government.
- (2) The amount paid to the credit of the Central Government under sub-section shall be adjusted against the duty payable by the person on finalization of assessment and where any surplus is left after such adjustment, the amount of such surplus shall either be credited to the Fund or, as the case may be, refunded to the person who has borne the incidence of such amount, in accordance with the provisions of section 27 and the application under that section in such cases shall be made before the expiry of six months from the date of the public notice to be issued by the 23[Assistant Commissioner of Customs or Deputy Commissioner of Customs].

RESTRICTIONS ON CUSTODY AND REMOVAL OF IMPORTED GOODS-

- (1) Save as otherwise provided in any law for the time being in force, all imported goods, unloaded in a customs area shall remain in the custody of such person as may be approved by the [Commissioner of Customs] until they are cleared for home consumption or are warehoused or are transshipped in accordance with the provisions of Chapter VIII.
- (2) The person having custody of any imported goods in a customs area, whether under the provisions of sub-section (1) or under any law for the time being in force,-
 - (a) Shall keep a record of such goods and send a copy thereof to the proper officer;
 - (b) Shall not permit such goods to be removed from the customs area or otherwise dealt with, except under and in accordance with the permission in writing of the proper officer.
- (3) Notwithstanding anything contained in any law for the time being in force, if any imported goods are pilfered after unloading thereof in a customs area while in the custody of a person referred to in sub-section (1), that person shall be liable to pay duty on such goods at the rate prevailing on the date of delivery of an import manifest or, as the case may be, an import report to the proper officer under section 30 for the arrival of the conveyance in which the said goods were carried.]

DUTY DRAWBACK

Duty Drawback is the rebate of duty chargeable on imported material or excisable material used in the manufacturing of goods in and is exported. The exporter may claim drawback or refund of excise and customs duties being paid by his suppliers. The final exporter can claim the drawback on material used for the manufacture of export products. In case of re-import of goods the drawback can be claimed.

The following are Drawbacks:

- Customs paid on imported inputs plus excise duty paid on indigenous imports.
- Duty paid on packing material.

Drawback is not allowed on inputs obtained without payment of customs or excise duty. In part payment of customs and excise duty, rebate or refund can be claimed only on the paid part.

In case of re-export of goods, it should be done within 2 years from the date of payment of duty when they were imported. 98% of the duty is allowable as drawback, only after inspection. If the goods imported are used before its re-export, the drawback will be allowed as at reduced percent.

POSSIBLE QUESTIONS

PART - A (1 mark)

(Online examination)

PART – B (8 Marks)

1. What is Customs Duty? Explain its features.
2. Explain the procedure for assessment and collection of Customs duty.
3. Explain the provisions regarding Levy and Collection of Customs Duty.
4. Explain the clearance procedure for imported goods.
5. Explain the different types of Customs Tariff.
6. Discuss the exemptions of Customs Duty.
7. What are the methods by which goods are valued under Customs Act?
8. Distinguish between
 - i) Sales Tax and Customs Duty
 - ii) Ad -valorem Duty and Specific Duty
9. Explain the different types of Customs Import Duty
10. Explicate the restrictions imposed on custody and removal of imported goods.

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPARTMENT OF COMMERCE
III B. Com. (CA)
ELECTIVE - INDIRECT TAXES (15CCU602 A)

S. No.	QUESTIONS	OPT. 1	OPT. 2	OPT. 3	OPT.4
UNIT - II					
1	Customs duty is imposed an_____	customs act 1965	customs act 1962	customs act 1949	customs act 1955
2	Safeguard domestic trade is imposed on _____ goods	export	interstate	import	local sales
3	First schedule of customs act 1975 _____	export tariff	control tariff	local tariff	import tariff
4	second schedule of customs act 1975 is_____	Export tariff	interchange tariff	local tariff	multi tariff
5	Basic customs duty is based on _____ of goods	actual value	basis value	standard value	preference value

6	Government is empowered _____ of customs act is prescribe notification	sec 10	sec 25	sec 35	sec 45
7	_____ Goods could not suffer excise duty	Exported	local stated	Imported	local valuable
8	_____ additional duties levied on imported goods	special additional duty	protective	anti dumping duty	additional duty
9	Exporter sells the product to an exporting country at _____ price	hogh	very high	less	very less
10	_____ of customs act to safeguard the interest of domestic industry	sec 9A	sec8b	sec 18	sec 19
11	_____ is levied on dumped articles	anti dumping duty	valoreum duty	safeguard duty	protective duty
12	_____ means customs port and customs airport	customs area	customs station	customs goods	customs duty

13	_____ goods kept in warehouse called warehouse goods	exort	import	interlocal	local
14	_____ means all goods ,personal effects brought in commercial quantities	warehouse	bonafidebaggage	baggage	none of these
15	_____ of the customsact empowers the central govt from import and export	sec 9	sec 10	sec11	sec8
16	_____ goods are Illegal import of highly notified by central govt	imported	exported	notified	identified
17	The notified goods required within _____ days from the date	8	7	6	2
18	_____ of the customs act may the powers to board	sec 3	sec 4	sec 5	sec 7
19	Large manufacturer from abroad export goods at_____ prices	very high	high	less	very less

20	Foreign _____ or aircraft means any vessel or aircraft at the time of carriage	coming vessel	lodging vessel	going vessel	updating
21	_____ goods means any goods brought into india from outside india	export	import	inter state	local
22	_____ means the import of goods in contravention of provisions	legal import	statutory import	Illegal import	local import
23	_____ means a place intimated in subsection	section	sub section	specified section	intimated section
24	_____ government is satisfied expenditure public interest measures	state	central	local	none of these
25	After the expiry of seven days from specified date _____ to the subsection	exempted goods	marketable goods	specified goods	intimated goods
26	Transport of specified goods to be covered to be covered by	receipts	payments	invoice	vouchers

27	Assessable value is determined by ____ of identical goods	computed	transction value	deducted value	residual value
28	Section 25 of the customs act_____ to issue special orders	state	central	tax authorities	public authorities
29	Customs act provides remission duty on goods lost on _____consumption	home	industry	business	natural
30	_____ is not liable to pay abandoned goods	sellers	buyers	owners	wholesalers
31	_____ is not posssible and goods are physically lost	Abandonment	restoraation	time point	destroyed
32	_____ of customs may permit an importer to enter general bond	commissioner	executed	Deputy commissioner	official government
33	_____ have been compiled in respect of goods	sec 30	sec 49	sec 38	sec 59

34	_____ intended to use 100% export oriented	consumable goods	capital goods	customs goods	producing goods
35	A _____ has been presented in such goods of export	shipping bill	clearance bill	export bill	payment bill
36	Rebate of duty is chargeable on _____ on goods	Producing	manufacturing	packing	purchasing
37	All Industry rate is not cover _____ of the drawback	85%	88%	80%	90%
38	_____ have been defined in subsection	relative goods	prohibited goods	customs goods	notified goods
39	Conservation of _____ safeguarding payments	Excise duty	foreign exchange	customs goods	export goods
40	Central govt has issued notification to import of _____	sensitive goods	notified goods	regulative goods	restricting goods

41	Notified goods means goods specified in the notification issued under section_____	IIA	IIB	IIIC	IVC
42	Goods shall be taken from one place to another only when they are accompanied by _____	cash	transport voucher	Bills	document paper
43	The statement containing particulars of notified goods duly signed must be delivered in _____	duplicate	original	accounts	voucher
44	Valuation of goods under customs Act dealt under _____	Section 10	section12	section14	section25
45	The valuation rules,1988 based on GATT valuation code, provides _____	Five methods of valuation	six methods of valuation	seven methods of valuation	eight methods of valuation
46	Assessable value under the customs Act,1962 excludes_____	Landing charges	Insurance	cost of transport of the importation	travelling charges
47	The GATT valuation code came into effect from _____	1.1.81	1.2.81	1.3.81	12.81

48	India started implementing the GATT valuation code from	18.8.1985	18.8.1988	18.8.1990	18.8.1991
49	The central government has powers to prohibit importation and exportation of goods under section _____ of customs Act	10	0.13	12	11
50	Entry 83 to list (union List)of _____ schedule to constitution reads duties of customs including export duties.	sixth	seventh	fourth	fifth
51	Central Government can grant partial/full exemption from duty under section____of the customs Act.	26	0.22	0.23	0.25
52	Section 25(1) of the customs Act authorises the _____ to issue notification granting exemptions from duty.	state government	central government	Municipality	Local authority
53	The exemptions granted under the customs Act are broadly classified as _____ & _____	general , specific	ordinary ,Special	special , compliment	compund , speical
54	Penalty for attempt to export goods improperly on persons concerned would not exceed _____ times the value of	Three	four	five	Ten

55	For effective shipment, the exporter or his agent should file a shipping bill in_____	duplicate	triplicate	quadruplicate	orginal
56	Shipping bills should be filed in the customs House within _____days before the arrival of the loading vessel.	7 days	14 days	21 days	30 days
57	Tea cannot be exported unless a licence is granted by	central government	state government	Tea board	Coffee Board
58	A new tariff based on the _____ has been introduced for indigenously manufactured goods under the central excise	HSBN	HSN	HHN	HMN
59	The british established the first board of revenue with its headquarters in_____	delhi	Mumbai	chennai	calcutta
60	customs tariff contains	97 chapters	98 chapters	99 chapters	100 chapters

S. No.	ANSWER
1	customs act 1962
2	import
3	import tariff
4	export tariff

5	basis value
6	sec25
7	imported
8	protective
9	less
10	Sec 8B
11	Anti-dumping duty
12	Customs station
13	import
14	baggage
15	sec 11
16	notified
17	7
18	sec4
19	very high
20	going vessel
21	import
22	Illegal import
23	subsection
24	central
25	specified goods
26	vouchers
27	transaction value
28	central
29	home
30	owners
31	restoration
32	deputy commissioner
33	sec59
34	capital goods

35	shipping bill
36	manufacturing
37	80%
38	prohibited goods
39	foreign exchnage
40	sensitive goods
41	.IIB
42	transport voucher
43	duplicate
44	section14
45	six methods of valuation
46	cost of transport of the
47	1.1.81
48	18.8.1988
49	11
50	seventh
51	0.25
52	central government
53	.general , specific
54	special , compliment
55	duplicate
56	triplicate
57	.Tea board
58	HSN
59	.calcutta
60	97 chapters

UNIT - III

Introduction to Goods and Services Tax (GST): Meaning of GST – Basic Concepts
Features of GST - Benefits of GST –GST working mechanism– GST rate and Taxes on GST
– Goods and Service tax Network (GSTN) – Constitutional Framework of GST – Model
GST Law – Chargeability for GST – Composition Scheme.

Introduction to Goods and Services Tax**INTRODUCTION**

Introduction of the Value Added Tax (VAT) at the Central and the State level has been considered to be a major step – an important step forward – in the globe of indirect tax reforms in India. If the VAT is a major improvement over the pre-existing Central excise duty at the national level and the sales tax system at the State level, then the Goods and Services Tax (GST) will indeed be an additional important perfection – the next logical step – towards a widespread indirect tax reforms in the country. Initially, it was conceptualized that there would be a national level goods and services tax, however, with the release of First Discussion Paper by the Empowered Committee of the State Finance Ministers on 10.11.2009, it has been made clear that there would be a –Dual GSTI in India, taxation power – both by the Centre and the State to levy the taxes on the Goods and Services. Almost 150 countries have introduced GST in some form. While countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30 categories of exemptions.

In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below. Country Australia France Canada Germany Japan Singapore Sweden New Zealand Rate of GST 10% 19.6% 5% 19% 5% 7% 25% 15% World over in almost 150 countries there is GST or VAT, which means tax on goods and services. Under the GST scheme, no distinction is made between goods and services for levying of tax. In other words, goods and services attract the same rate of tax. GST is a multi-tier tax where ultimate burden of tax fall on the consumer of goods/ services. It is called as value added tax because at every stage, tax is being paid on the value addition. Under the GST scheme, a person who was liable to pay tax on his output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on the tax paid on its inputs.

Meaning of GST

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

Concepts of GST

The Goods and Services Tax was launched at midnight on 30 June 2017 by the Prime Minister of India, Narendra Modi. The launch was marked by a historic midnight (30 June – 1 July) session of both the houses of parliament convened at the Central Hall of the Parliament. Though the session was attended by high-profile guests from the business and the entertainment industry including Ratan Tata, it was boycotted by the opposition due to the predicted problems that it was bound to lead to for the middle and lower class Indians. It is one of the few midnight sessions that have been held by the parliament - the others being the declaration of India's independence on 15 August 1947, and the silver and golden jubilees of that occasion.

Rates

The GST is imposed at different rates on different items. The rate of GST is 18% for soaps and 28% on washing detergents. GST on movie tickets is based on slabs, with 18% GST for tickets that cost less than Rs. 100 and 28% GST on tickets costing more than Rs. 100. The rate on under-construction property booking is 12%. Some industries and products were exempted by

the government and remain untaxed under GST, such as dairy products, products of milling industries, fresh vegetables & fruits, meat products, and other groceries and necessities.

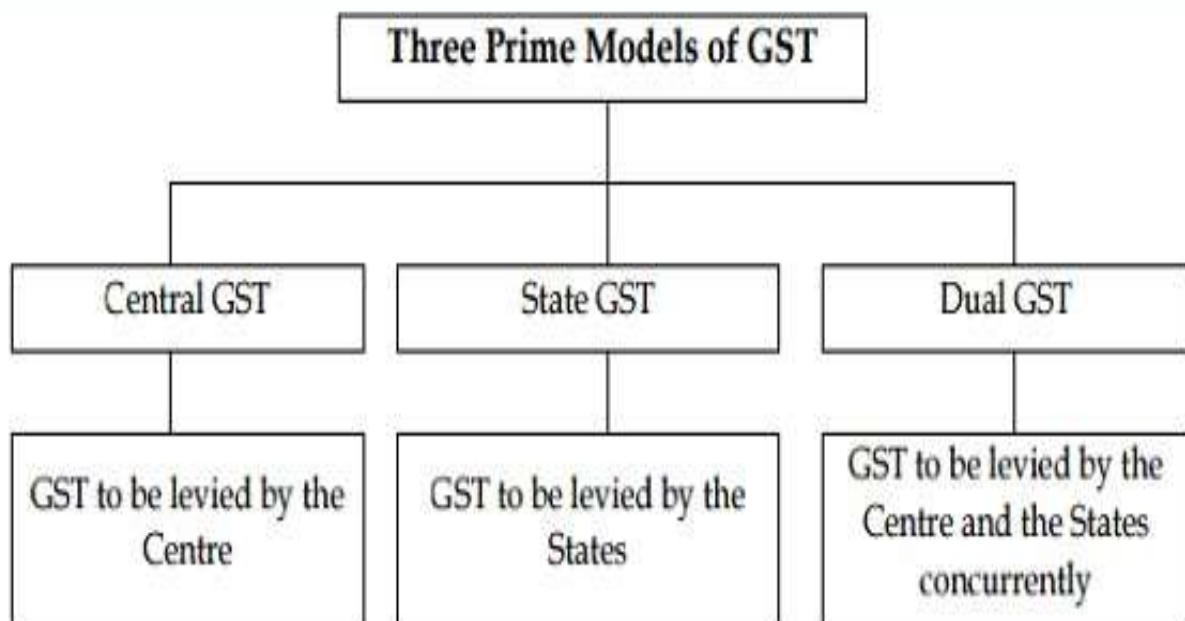
The introduction of the GST increased the costs of most consumer goods and services in India including food, hotel charges, insurance and cinema tickets. Upon its introduction in the country, GST led to a number of protests by the business community, primarily due to an increase in overall taxes and hence the prices of goods. Check posts across the country were abolished ensuring free and fast movement of goods.

The Central Government had proposed to insulate the revenues of the States from the impact of GST, with the expectation that in due course, GST will be levied on petroleum and petroleum products. The central government had assured states of compensation for any revenue loss incurred by them from the date of GST for a period of five years. However, no concrete laws have yet been made to support such action.

MODELS OF GST

There are three prime models of GST:

- GST at Central (Union) Government Level only
- GST at State Government Level only
- GST at both, Union and State Government Levels



BENEFITS OF GST

1. GST provide comprehensive and wider coverage of input credit setoff, you can use service tax credit for the payment of tax on sale of goods etc.
 2. CST will be removed and need not pay. At present there is no input tax credit available for CST.
 3. Many indirect taxes in state and central level included by GST, You need to pay a single GST instead of all.
 4. Uniformity of tax rates across the states
 5. Ensure better compliance due to aggregate tax rate reduces.
 6. By reducing the tax burden the competitiveness of Indian products in international market is expected to increase and there by development of the nation.
 7. Prices of goods are expected to reduce in the long run as the benefits of less tax burden would be passed on to the consumer.
-

FEATURES

The salient features of GST are asunder:

• GST would be applicable on –supply of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.

• GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.

❖ It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).

❖ An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted. Page 6 of 15

❖ Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.

❖ Import of services would be treated as inter-State supplies and would be subject to IGST.

❖ CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.

❖ GST would replace the following taxes currently levied and collected by the Centre:

- a) Central Excise Duty;
- b) Duties of Excise (Medicinal and Toilet Preparations);
- c) Additional Duties of Excise (Goods of Special Importance);
- d) Additional Duties of Excise (Textiles and Textile Products);
- e) Additional Duties of Customs (commonly known as CVD);

- f) Special Additional Duty of Customs (SAD);
 - g) Service Tax;
 - h) Cesses and surcharges insofar as they relate to supply of goods or services.
- ii) State taxes that would be subsumed within the GST are:
- a) State VAT;
 - b) Central Sales Tax;
 - c) Purchase Tax;
 - d) Luxury Tax;
 - e) Entry Tax (All forms);
 - f) Entertainment Tax (except those levied by the local bodies);
 - g) Taxes on advertisements;
 - h) Taxes on lotteries, betting and gambling;
 - i) State cesses and surcharges insofar as they relate to supply of goods or services.

WORKING MECHANISM OF GST

As GST is a multi-stage tax, it involves collection by registered vendors throughout the production and distribution chain before the goods or services reach end-consumers. Under the GST framework, each registered vendor charges GST on his sales, and reclaims credits for the tax paid on his purchases. The total amount of GST paid to the tax authority by all the vendors in the production and distribution chain is equal to the amount of tax finally borne by the consumer.

Below is a hypothetical case showing how GST is charged through a production and distribution

chain, using the example of the manufacture and sale of a suit, assuming a 5% GST rate is levied and each vendor is registered under the GST system.



Stage 1

Imagine a manufacturer of, say, shirts. He buys raw material or inputs — cloth, thread, buttons, tailoring equipment — worth Rs 100, a sum that includes a tax of Rs 10. With these raw materials, he manufactures a shirt.

In the process of creating the shirt, the manufacturer adds value to the materials he started out with. Let us take this value added by him to be Rs 30. The gross value of his good would, then, be Rs 100 + 30, or Rs 130.

At a tax rate of 10%, the tax on output (this shirt) will then be Rs 13. But under GST, he can set off this tax (Rs 13) against the tax he has already paid on raw material/inputs (Rs 10). Therefore, the effective GST incidence on the manufacturer is only Rs 3 (13 – 10).

Stage 2

The next stage is that of the good passing from the manufacturer to the wholesaler. The wholesaler purchases it for Rs 130, and adds on value (which is basically his ‘margin’) of, say, Rs 20. The gross value of the good he sells would then be Rs 130 + 20 — or a total of Rs 150. A 10% tax on this amount will be Rs 15. But again, under GST, he can set off the tax on his output (Rs 15) against the tax on his purchased good from the manufacturer (Rs 13). Thus, the effective GST incidence on the wholesaler is only Rs 2 (15 – 13).

Stage 3

In the final stage, a retailer buys the shirt from the wholesaler. To his purchase price of Rs 150, he adds value, or margin, of, say, Rs 10. The gross value of what he sells, therefore, goes up to Rs 150 + 10, or Rs 160. The tax on this, at 10%, will be Rs 16. But by setting off this tax

(Rs 16) against the tax on his purchase from the wholesaler (Rs 15), the retailer brings down the effective GST incidence on himself to Re 1 (16 –15).

Thus, the total GST on the entire value chain from the raw material/input suppliers (who can claim no tax credit since they haven't purchased anything themselves) through the manufacturer, wholesaler and retailer is, Rs 10 + 3 +2 + 1, or Rs 16.

GST RATE AND TAXES ON GST

As soon as the GST rates were announced a huge wave of curiosity hit across industry and trade bodies. Everyone is evaluating their position as a result of this change. So in this article, we bring you our analysis of these GST rates. We already know that the GST slabs are pegged at 5%, 12%, 18% & 28%. According to the latest news from the GST council, the tax structure for common-use goods are as under:

GST Rates Structure

Tax Rates	Products	
0%	Milk	Kajal
	Eggs	Educations Services
	Curd	Health Services
	Lassi	Children's Drawing & Colouring Books

Tax Rates	Products	
	Unpacked Foodgrains	Unbranded Atta
	Unpacked Paneer	Unbranded Maida

	Gur	Besan
	Unbranded Natural Honey	Prasad
	Fresh Vegetables	Palmyra Jaggery
	Salt	Phool Bhari Jhadoo
5%	Sugar	Packed Paneer
	Tea	Coal
	Edible Oils	Raisin
	Domestic LPG	Roasted Coffee Beans
	PDS Kerosene	Skimmed Milk Powder
	Cashew Nuts	Footwear (< Rs.500)
	Milk Food for Babies	Apparels (< Rs.1000)
	Fabric	Coir Mats, Matting & Floor Covering
	Spices	Agarbatti

Tax Rates	Products	
	Coal	Mishti/Mithai (Indian Sweets)
	Life-saving drugs	Coffee (except instant)
12%	Butter	Computers

	Ghee	Processed food
	Almonds	Mobiles
	Fruit Juice	Preparations of Vegetables, Fruits, Nuts or other parts of Plants including Pickle Murabba, Chutney, Jam, Jelly
	Packed Coconut Water	Umbrella
18%	Hair Oil	Capital goods
	Toothpaste	Industrial Intermediaries
	Soap	Ice-cream
	Pasta	Toiletries
	Corn Flakes	Computers
	Soups	Printers
Tax Rates	Products	
28%	Small cars (+1% or 3% cess)	High-end motorcycles (+15% cess)
	Consumer durables such as AC and fridge	Beedis are NOT included here

		Luxury & sin items like BMWs, cigarettes and aerated drinks (+15% cess)
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WHAT IS GSTN (GOODS AND SERVICE TAX NETWORK)?

The Goods and Service Tax Network (GSTN) is a non-profit, non-government organization which manages the entire IT system of the GST portal. Read more here!

The Goods and Service Tax Network (or GSTN) is a non-profit, non-government organization. It will manage the entire IT system of the GST portal, which is the mother database for everything GST. This portal will be used by the government to track every financial transaction, and will provide taxpayers with all services – from registration to filing taxes and maintaining all tax details.

Structure of GSTN

Private players own 51% share in the GSTN, and the rest is owned by the government. The authorized capital of the GSTN is ₹ 10 crore (US\$1.6million), of which 49% of the shares are divided equally between the Central and State governments, and the remaining crores. The contract for developing this vast technological backend was awarded to Infosys in September 2015. The GSTN is chaired by Mr. Navin Kumar, an Indian Administrative Service servant (1975 batch), who has served in many senior positions with the Govt. of Bihar, and the Central Govt.

Shareholder	Shareholding
Central Government	24.5%
State Governments & EC	24.5%

HDFC	10%
HDFC Bank	10%
ICICI Bank	10%
NSE Strategic Investment Co	10%
LIC Housing Finance Ltd	11%
Total	100%

Salient Features of the GSTN

The GSTN is a complex IT initiative. It will establish a uniform interface for the taxpayer and also create a common and shared IT infrastructure between the Centre and States.

1. Trusted National Information Utility

The GSTN is a trusted National Information Utility (NIU) providing reliable, efficient and robust IT backbone for the smooth functioning of GST in India.

2. Handles Complex Transactions

GST is a destination based tax. The adjustment of IGST (for inter-state trade) at the government level (Centre & various states) will be extremely complex, considering the sheer volume of transactions all over India. A rapid settlement mechanism amongst the States and the Centre will be possible only when there is a strong IT infrastructure and service backbone which captures, processes and exchanges information.

Please read our article to know more about [how the Centre and the States will settle IGST](#).

3. All Information Will Be Secure

The government will have strategic control over the GSTN, as it is necessary to keep the information of all taxpayers confidential and secure. The Central Government will have control over the composition of the Board, mechanisms of Special Resolution and Shareholders Agreement, and agreements between the GSTN and other state governments. Also, the shareholding pattern is such that the Government shareholding at 49% is far more than that of any single private institution.

4. Expenses Will Be Shared

The user charges will be paid entirely by the Central Government and the State Governments in equal proportion (i.e. 50:50) on behalf of all users. The state share will be then apportioned to individual states, in proportion to the number of taxpayers in the state.

Volume of expenses	Type of expenses
Maximum expenses	IT system designed by Infosys
2nd part	Fraud Analytics Tools, security audit and other security functions(will be outsourced based on tender)
3rd part	Operating expenses such as salary, rent, office expenses, internal IT facilities

Functions of GSTN

GSTN is the backbone of the Common Portal which is the interface between the taxpayers and the government. The entire process of GST is online starting from registration to

the filing of returns.

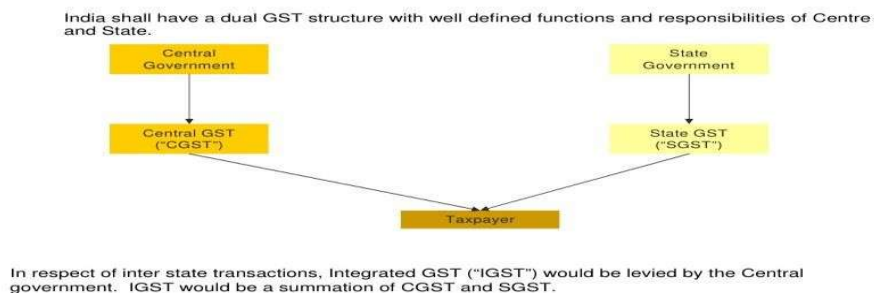
It has to support about 3 billion invoices per month and the subsequent return filing for 65 to 70 lakh taxpayers.

The GSTN will handle:

- Invoices
- Various returns
- Registrations
- Payments & Refunds



[GST – The Framework]



This note deals with the provisions of charging section 7 and section 4 of the CGST/SGST Act 2016 and IGST Act, 2016 respectively in Part A and Part B.

PART A-Levy and Collection of CGST/SGST

Section 7 of Chapter III of the CGST/SGST Act, 2016 provides:

Section 7(1)

- There shall be **levied a tax**
- called the **Central/State Goods and Services Tax (CGST/SGST)**
- on all **intra-State**
- **supplies of**
- **goods and/or services**
- at the **rate specified** in the Schedule to this Act and
- collected in such manner as may be prescribed.

Section 7(2)

- The CGST/SGST shall be
- **paid by every taxable person**
- in accordance with the provisions of this Act.

Section 7(3)

Notwithstanding anything contained in sub-section (2), the Central or a State Government may, on the recommendation of the Council, **by notification**, specify **categories of supply of goods and/or services the tax on which is payable on reverse charge basis** and the tax thereon shall be paid by the person receiving such goods and/or services and all the provisions of this Act shall apply to such person as if he is the person liable for paying the tax in relation to such goods and/or services.

Section 4 of Chapter III of the IGST Act, 2016 provides:

Section 4(1)

- There shall be **levied a tax called the Integrated Goods and Services Tax**
- **on all supplies of goods and/or services**
- made in the course of **inter-State trade or commerce**
- **at the rate specified** in the Schedule to this Act and
- **collected in such manner** as may be prescribed.

Section 4(2)

- The **Integrated Goods and Services Tax**
- shall be **paid** by every **taxable person**
- in accordance with the provisions of this Act

Section 4(3)

Notwithstanding anything contained in sub-section (2), the Central Government may, on recommendation of the Council, by notification, **specify categories of supply of goods and/or services the tax on which is payable on reverse charge basis** and the tax thereon shall be paid by the person receiving such goods and/or services and all the provisions of this Act shall apply to such person as if he is the person liable for paying the tax in relation to such goods and/or services.

Section 4(4)

Notwithstanding anything contained in sub-section (1) but subject to such conditions as may be notified in this behalf, no tax under this Act shall be payable by any taxable person in respect of such supplies of goods and/or services as are specified in Schedule to the Act.

GST COMPOSITION SCHEME

Introduction

Every tax administration aims towards timely recovery of taxes, filing of returns, simplified generation and maintenance of records, invoices and other documents. Such elements are often a challenge for small businesses. To overcome this shortcoming a composition scheme was introduced under the respective State VAT Laws with conditions applied on eligibility for the scheme accordingly. GST Composition Scheme also contains an option for a registered taxable person having turnover less than the limit to pay tax at a lower rate subject to certain specified conditions.

Know About GST Composition Scheme

GST Composition Scheme is an option available to a registered taxpayer who needs to

inform the tax authorities of his intention to be registered under the scheme. In case the registered taxpayer fails to comply with the same he would be treated a normal tax payer and administered accordingly. Such option needs to be for all businesses of the tax payers ie both for goods as well as services.

Turnover and Rate of Tax Under GST Composition Scheme

A registered taxpayer, whose aggregate turnover does not exceed Rs seventy five lakh in the preceding financial year pay tax at a rate more than 1% for manufacturer, 2.5% for restaurant sector and 0.5% for other suppliers of turnover.

Serial No	Category of registered persons	Rate of Tax CGST	Rate of Tax SGST	Total Rate of Tax
1	Manufacturers (other than manufacturers of notified goods)	1%	1%	2%
2	Suppliers (food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption)	2.5%	2.5%	5%
3	Other supplies	0.5%	0.5%	1%

Taxable Persons Excluded from the Composition Scheme

Following taxable persons are not granted permission to opt for the scheme who:

- Supplies goods not leviable under the Act
- Supplies services
- Makes a supply of goods other than intra state i.e. interstate or import/ export
- Makes a supply of goods through Electronic Commerce Operator i.e. Ecommerce and liable to collect taxes
- Manufactures such goods as may be notified

Further, it is also if in case a taxable person has different business segments having same PAN as held by the taxable person, he must register all such businesses under the scheme.

If an individual has different business segments such as:

1. Textile
2. Electronics and accessories
3. Groceries

Then he must register all the above segments collectively under the composite scheme or simply opt not for the scheme.

No Tax, No Credit

- **No Credit of Input Tax** There has been no provision of input credit on B2B transactions. Thus, if any taxable person is carrying out business on B2B model, such person will not be allowed the credit of input tax paid from the output liability. Also, the buyer of such goods will not get any credit of tax paid, resulting in price distortion and cascading. This will further result into a loss of business as buyers might avoid purchases from a taxpayer under composition scheme. Scheme holder cannot claim input tax credit even if he makes taxable purchases from a regular taxable dealer. Ideally, the taxable amount would be added to the composite tax payer's cost.
- **No Collection of Tax** Though the rate of composition tax is kept very nominal at 0.5% or 1% or 2.5%, a taxpayer under composition scheme is not allowed to recover such tax from his buyer, as he is not allowed to raise a tax invoice. Consequently, the burden of such tax is kept on the taxpayer himself and this must be paid out of his own pocket. Thus, the fundamental principle of limited compliance and tax burden on small taxpayer is defeated here.

Merits of the Scheme

Below are some of the prominent reasons why you should choose to get registered as a supplier

under the composition scheme:

- **Limited Compliance:** Lesser compliance w.r.t. furnishing of returns, maintenance of books of records, issuance of invoices more focus on business
- **Limited Tax Liability:** on comparison with regular taxpayers, person taxed under Composite Scheme will be liable to pay tax at a rate not more than 2.5% instead of a standard rate of 18%
- **High Liquidity:** Unlike normal tax payers, tax payers under Composite Scheme will be liable to pay taxes at a lower rate resulting in lesser chunk on his working capital

Demerits of the Scheme

The demerits of registering under Composite Scheme by a taxable person are as follows:

- **Limited Territory for Business:** A taxpayer registered under the composition scheme is barred from carrying out inter-state transactions and cannot affect import-export of goods and services.
- **No Credit of Input Tax:** Under the scheme, the credit of input tax paid on the purchases of inputs from a normal tax payer will not be allowed. The buyer of goods supplied by scheme holder will also not enjoy input tax credit resulting in price distortion, cascading, loss of business to scheme holders.
- **No Collection of Tax:** Though the rate of tax for a scheme holder is lower the burden of such tax is kept on the taxpayer himself, leading to higher cost of sales.
- **Penal Provision:** As per the Model GST Law, if the taxpayer who has previously been given registration under composition scheme is found to be not eligible to the composition scheme or if the permission granted earlier was incorrectly granted, then such taxpayer will be liable to pay the differential tax along with a penalty
- Not applicable to the supplier supplying goods through E-commerce

INDIRECT TAXES

PART – B POSSIBLE QUESTIONS

Unit III

1. Discuss the Basic Concepts of GST.
2. Explain the features of GST
3. What are the benefits of GST ?
4. Briefly explain the working mechanism of GST.
5. Discuss in detail GSTN.
6. What are GST rate and Taxes on GST?
7. Constitutional Framework of GST – discuss in detail.
8. Briefly explain Offense the Model GST Law.
9. Explain Chargeability for GST.
10. Elaborate the Composition Scheme.

KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPARTMENT OF COMMERCE

II M. Com. (CA)

CORPORATE ADMINISTRATION AND SECRETARIAL PRACTICE - 16CCP401

S. No.	QUESTIONS	OPT. 1	OPT. 2	OPT. 3	OPT.4	ANSWER
UNIT - III						
1	Customs duty is imposed on _____	customs act 1965	customs act 1962	customs act 1949	customs act 1955	customs act 1962
2	Safeguard domestic trade is imposed on _____ goods	export	interstate	import	local sales	import
3	First schedule of customs act 1975 _____	export tariff	control tariff	local tariff	import tariff	import tariff
4	second schedule of customs act 1975 is _____	Export tariff	interchange tariff	local tariff	multi tariff	export tariff
5	Basic customs duty is based on _____ of goods	actual value	basis value	standard value	preference value	basis value
6	Government is empowered _____ of customs act is prescribe notification	sec 10	sec 25	sec 35	sec 45	sec25
7	_____ Goods could not suffer excise duty	Exported	local stated	Imported	local valuable	imported
8	_____ additional duties levied on imported goods	special additional duty	protective	anti dumping duty	additional duty	protective
9	Exporter sells the product to an exporting country at _____ price	high	very high	less	very less	less
10	_____ of customs act to safeguard the interest of domestic industry	sec 9A	sec8b	sec 18	sec 19	Sec 8B
11	_____ is levied on dumped articles	anti dumping duty	valorem duty	safeguard duty	protective duty	Anti-dumping duty
12	_____ means customs port and customs airport	customs area	customs station	customs goods	customs duty	Customs station

13	_____ goods kept in ware house called warehouse goods	exort	import	interlocal	local	import
14	_____ means all goods ,personal effects brought in commercial quantities	warehouse	bonafideb aggage	baggage	none of these	baggage
15	_____ of the customsact empowers the central govt from import and export	sec 9	sec 10	sec11	sec8	sec 11
16	_____ goods are Illegal import of highly notified by central govt	imported	exported	notified	identified	notified
17	The notified goods required within _____ days from the date	8	7	6	2	7
18	_____ of the customs act may the powers to board	sec 3	sec 4	sec 5	sec 7	sec4
19	Large manufacturer from abroad export goods at _____ prices	very high	high	less	very less	very high
20	Foreign _____ or aircraft means any vessel or aircraft at the time of carriage	coming vessel	lodging vessel	going vessel	updating	going vessel
21	_____ goods means any goods brought into india from outside india	export	import	inter state	local	import
22	_____ means the import of goods in contravention of provisions	legal import	statutory import	Illegal import	local import	Illegal import
23	_____ means a place intimated in subscion	section	sub section	specified section	intimated section	subsection
24	_____ government is satisfied expenditure public interest measures	state	central	local	none of these	central
25	After the expiry of seven days from specified date _____ to the subsection	exempted goods	marketabl e goods	specified goods	intimated goods	specified goods
26	Transport of specified goods to be covered to be covered by	receipts	payments	invoice	vouchers	vouchers
27	Assessable value is determined by _____ of identical goods	computed	transction value	deducted value	residual value	transaction value

28	Section 25 of the customs act_____ to issue special orders	state	central	tax authorities	public authorities	central
29	Customs act provides remission duty on goods lost on _____ consumption	home	industry	business	natural	home
30	_____ is not liable to pay abandoned goods	sellers	buyers	owners	wholesalers	owners
31	_____ is not possible and goods are physically lost	Abandonment	restoration	time point	destroyed	restoration
32	_____ of customs may permit an importer to enter general bond	commissioner	executed	Deputy commissioner	official government	deputy commissioner
33	_____ have been compiled in respect of goods	sec 30	sec 49	sec 38	sec 59	sec59
34	_____ intended to use 100% export oriented	consumable goods	capital goods	customs goods	producing goods	capital goods
35	A _____ has been presented in such goods of export	shipping bill	clearance bill	export bill	payment bill	shipping bill
36	Rebate of duty is chargeable on _____ on goods	Producing	manufacturing	packing	purchasing	manufacturing
37	All Industry rate is not cover _____ of the drawback	85%	88%	80%	90%	80%
38	_____ have been defined in subsection	relative goods	prohibited goods	customs goods	notified goods	prohibited goods
39	Conservation of _____ safeguarding payments	Excise duty	foreign exchange	customs goods	export goods	foreign exchange
40	Central govt has issued notification to import of	sensitive goods	notified goods	regulative goods	restricting goods	sensitive goods
41	Notified goods means goods specified in the notification issued under section_____	IIA	.IIB	IIIC	.IVC	.IIB

42	Goods shall be taken from one place to another only when they are accompanied by a	cash	transport voucher	.Bills	.document paper	transport voucher
43	The statement containing particulars of notified goods duly signed must be delivered in	.duplicate	original	.accounts	voucher	.duplicate
44	Valuation of goods under customs Act dealt under	.Section 10	section12	section14	.section25	section14
45	The valuation rules,1988 based on GATT valuation code, provides	.Five methods of valuation	six methods of valuation	seven methods of valuation	eight methods of valuation	six methods of valuation
46	Assessable value under the customs Act,1962 excludes_____	.Landing charges	Insurance	cost of transport of the importation	travelling charges	cost of transport of the importation
47	The GATT valuation code came into effect from	.1.1.81	1.2.81	1.3.81	12.81	.1.1.81
48	India started implementing the GATT valuation code from	.18.8.1985	18.8.1988	18.8.1990	18.8.1991	18.8.1988
49	The central government has powers to prohibit importation and exportation of goods under section_____ of customs Act	10	0.13	12	11	11
50	Entry 83 to list (union List)of _____schedule to constitution reads duties of customs including export duties.	sixth	seventh	fourth	fifth	seventh
51	Central Government can grant partial/full exemption from duty under section____of the customs Act.	26	0.22	0.23	0.25	0.25

52	Section 25(1) of the customs Act authorises the _____ to issue notification granting exemptions from duty.	state government	central government	.Municipality	Local authority	central government
53	The exemptions granted under the customs Act are broadly classified as _____ &	.general , specific	ordinary ,Special	special , compliment	compund , speical	.general , specific
54	Penalty for attempt to export goods improperly on persons concerned would not exceed_____ times the value of goods.	.Three	.four	.five	Ten	special , compliment
55	For effective shipment, the exporter or his agent should file a shipping bill in _____	duplicate	triplicate	quadruplicate	original	duplicate
56	Shipping bills should be filed in the customs House within _____days before the arrival of the loading vessel.	7 days	.14 days	.21 days	30 days	triplicate
57	Tea cannot be exported unless a licence is granted by _____	.central government	state government	.Tea board	Coffee Board	.Tea board
58	A new tariff based on the _____ has been introduced for indigenously manufactured goods under the central excise Tariff Act, 1985	.HSBN	HSN	HHN	HMN	HSN
59	The british established the first board of revenue with its headquarters in _____	delhi	Mumbai	.chennai	.calcutta	.calcutta
60	customs tariff contains _____	97 chapters	.98 chapters	.99 chapters	.100 chapters	97 chapters

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UNIT - IV

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Supply: Meaning and Scope- Types of Supply – Time of Supply – Provision relating to time of Supply – Place of supply – Provision relating to place of supply – Valuation mechanism – Input tax credit mechanism – Payment mechanism – Registration under GST-Rules.

Meaning and Scope of Supply

Supply means and includes—

- (a) all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business,
- (b) importation of services, for a consideration whether or not in the course or furtherance of business, and
- (c) a supply specified in Schedule I, made or agreed to be made without a consideration.

Meaning of Supply as per Schedule I

- (1) Permanent transfer/disposal of business assets where input tax credit has been availed on such assets.
- (2) Supply of goods or services between related persons, or between distinct persons as specified in section 10, when made in the course or furtherance of business.
- (3) Supply of goods—

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- (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or
- (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- (4) Importation of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.
- 2. Schedule II, in respect of matters mentioned therein, shall apply for determining what is, or is to be treated as a supply of goods or a supply of services.

Matters to be treated as supply of goods and services as per Schedule II:

(1) Transfer

- (a) Any transfer of the title in goods is a supply of goods.
- (b) Any transfer of goods or of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services.
- (c) Any transfer of title in goods under an agreement which stipulates that property in goods will pass at a future date upon payment of full consideration as agreed, is a supply of goods.

(2) Land and Building

- (a) Any lease, tenancy, easement, licence to occupy land is a supply of services.
- (b) Any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services.

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(3) Treatment or process

(a) Any treatment or process which is being applied to another person's goods is a supply of services.

(4) Transfer of business assets

(a) Where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration, such transfer or disposal is a supply of goods by the person.

(b) Where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is a supply of services.

(c) Where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless—

(i) the business is transferred as a going concern to another person; or

(ii) the business is carried on by a personal representative who is deemed to be a taxable person.

(5) The following shall be treated as “supply of service”

(a) renting of immovable property;

(b) construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or

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partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or before its first occupation, whichever is earlier.

Explanation.- For the purposes of this clause–

- (1) the expression “competent authority” means the Government or any authority authorized to issue completion certificate under any law for the time being in force and in case of non requirement of such certificate from such authority, from any of the following, namely:–
 - (i) an architect registered with the Council of Architecture constituted under the Architects Act, 1972; or
 - (ii) a chartered engineer registered with the Institution of Engineers (India); or
 - (iii) a licensed surveyor of the respective local body of the city or town or village or development or planning authority;
- (2) the expression “construction” includes additions, alterations, replacements or remodeling of any existing civil structure;
- (c) temporary transfer or permitting the use or enjoyment of any intellectual property right;
- (d) development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software;
- (e) agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act;

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- (f) works contract including transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract;
 - (g) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration; and
 - (h) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.
- (6) The following shall be treated as supply of goods
- (a) supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable
3. Notwithstanding anything contained in sub-section (1), below two categories of supply shall be regarded as neither supply of goods or services
- (a) activities or transactions specified in schedule III;
- Below activities of transactions which shall be treated neither as supply of goods or supply of services under Schedule III:
- (1) Services by an employee to the employer in the course of or in relation to his employment.
 - (2) Services by any Court or Tribunal established under any law for the time being in force.
 - (3)

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- (a) The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
- (b) The duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or
- (c) The duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- (4) Services by a foreign diplomatic mission located in India.
- (5) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

Or

- (b) activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities as specified in Schedule IV.

Explanation to Schedule IV:

- (1) Services provided by a Government or local authority to another Government or local authority excluding the following services:
 - (i) services by the Department of Posts by way of speed post, express parcel post, life insurance and agency services;
 - (ii) services in relation to an aircraft or a vessel , inside or outside the precincts of a port or an aircraft; or
 - (iii) transport of goods or passengers.

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- (2) Services provided by a Government or local authority to individuals in discharge of its statutory powers or functions such as-
- (i) issuance of passport, visa, driving licence, birth certificate or death certificate; and
 - (ii) assignment of right to use natural resources to an individual farmer for the purpose of agriculture.
- (3) Services provided by a Government or local authority or a governmental authority by way of:
- (i) any activity in relation to any function entrusted to a municipality under article 243 W of the Constitution;
 - (ii) any activity in relation to any function entrusted to a Panchayat under article 243 G of the Constitution;
 - (iii) health care; and
 - (iv) education.
- (4) Services provided by Government towards-
- (i) diplomatic or consular activities;
 - (ii) citizenship, naturalization and aliens;
 - (iii) admission into , and emigration and expulsion from India;
 - (iv) currency , coinage and legal tender , foreign exchange;
- (v) trade and commerce with foreign countries , import and export across customs frontiers , interstate trade and commerce; or
- (vi) maintenance of public order.

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(5) Any services provided by a Government or a local authority in the course of discharging any liability on account of any tax levied by such Government or authority.

(6) Services provided by a Government or a local authority by way of –

(i) tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Government or the local authority under such contract; or

(ii) assignment of right to use any natural resource where such right to use was assigned by the Government or the local authority before the 1st April, 2016:

PROVIDED that the exemption shall apply only to service tax payable on one time charge payable, in full upfront or in installments, for assignment of right to use such natural resource:

(7) Services provided by Government by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import or export of cargo on payment of Merchant Overtime Charges (MOT).

(8) Services provided by Government or a local authority by way of-

(i) registration required under any law for the time being in force; or

(ii) testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, required under any law for the time being in force.

Definition of Supply under GST

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Definition of 'supply' Under section 2(92) read with **section 3** 'supply' includes ***all forms of supply of goods and/or services such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business. Schedule I specified the supply.***

Analysis: Supply is the term replaced for the term sale; no scope has been left for any confusion and the definition includes every term which shall be coined as sale. Even the supply which is made or agreed to be made without a consideration will also amount to sale.

Any transfer of title to goods is a **supply of goods**, transfer of right to use goods [section 4(8) of APVAT Act, 2005], Hire purchase transactions, transfer of business assets are also brought under the ambit of term 'supply' as per Schedule II.

Activities which are not Supply

Activities and transactions specified in Schedule III –

- Services by an employee to the employer in the course of or in relation to his employment;
- Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- Actionable claims, other than lottery, betting and gambling
- Sale of land / Sale of building after occupation or completion will not attract GST. Thus, sale of building before completion or before occupancy will attract GST

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Such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council.

Deemed Supply of Goods & Services

Following matters will be treated as deemed supply of goods and services and will attract GST :

1. **In case of Transfer of title in goods**, **OR**, Right in goods, **OR** of undivided share in goods without the transfer of title, **OR**, transfer under an agreement which stipulates that property will pass at a future date upon payment of full consideration
2. **In case of Land & Building**, – Any lease, tenancy, easement, license to occupy land or building (both for commercial or residential purpose, fully or partly)
3. **Treatment or Process** , which is being applied to another person's goods is a supply
4. **Transfer of Business Assets** – Where goods forming part of the assets of a business are transferred or disposed of, and are no longer forming part of business **OR** Where goods held for business are put to use for any private use, in such a way, as not for business **OR** Where any person ceases to be a taxable person, any goods earlier forming part of business, unless (a) the business is transferred as a going concern to another person, or (b) the business is carried on by a personal representative who is deemed to be a taxable person **With or Without for a Consideration**

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5. Supply of Services – Following shall be treated as deemed “supply of Services” :

- renting of immovable property;
- construction of a complex, building, civil structure or a part thereof, including a complex or building intended for a sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate;
- Temporary transfer or permitting the use or enjoyment of any intellectual property right;

6. Composite Supply – Following shall be treated as deemed “supply of Services” :

- works contract as defined in section 2 (119) of CGST Act
- Supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.

7. Supply of goods – supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.

Inward Supply or Purchases– “*Inward Supply*” in relation to a person, shall mean receipt of goods and/or services whether by purchase, acquisition or any other means and whether or not for any consideration

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Outward Supply or Sales – “*Outward Supply*” in relation to a person, shall mean supply of goods and/or services, whether by sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made by such person in the course or furtherance of business

Continuous Supply – Means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, by notification, specify.

‘Fringe benefits’ to employees & directors under GST

Supply of Goods or Services between related persons will be supply even if made without consideration – Para 2 of Schedule I of CGST Act . **Also, employer & employee are related persons as per 15 of CGST Act.**

Further, para 4(b) of Schedule II of CGST Act, states that goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is a supply of services.

This will cover “Fringe Benefits” given to employees or directors by a company and should be subject to GST. This is a back-door entry for FBT, which was earlier in Income Tax Act, and was very litigative.

Mixed Supply under GST

Mixed Supply – means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable

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person for a single price where such supply does not constitute a composite supply.

Example – A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

Taxability – The tax liability on a mixed supply comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax .

Composite Supply & Principal Supply under GST

Composite Supply is a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of trade, one of which is a principal supply

Example – Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.

Principal Supply Means: The supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary and does not constitute, for the recipient an aim in itself, but a means for better enjoyment of the principal supply.

Zero Rated Supply under GST

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Zero Rated Supply Means export of goods or services or both; or supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit (eligible for ITC).

Important Points to Note

1. Supply of goods or services or both is “ taxable event “ in GST as that event triggers liability to pay GST
2. Supply of goods and services for consideration is always taxable
3. Supply by taxable person to related person is subject to GST even if there is no consideration that is no amount charged and will cover the followings :
This will cover transactions between group companies (like deputation of persons, supply of goods on loan basis, common facilities shared by group companies), transactions between branches
4. Free Gifts to related persons will be subject to GST
5. Benefits provided to employee by the employers like transport, meals, telephone. However, gifts upto Rs. 50K to employees will not be subject to GST, but input credit will have to be reversed.
6. Supply by principal to agent is subject to GST, GST is payable on supplies to C & F agents. However, commission agent has to pay GST only on his commission.
7. Import of services from related persons or from business establishment outside India is subject to GST even if there is no consideration. Branch / Head office in India receiving free services from Head Office / Outside India will be subject to GST.
8. Lottery, betting and gambling is subject to GST

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9. Lottery tickets are goods and GST will be payable. GST will also be payable on services relating to betting and gambling
10. Some services provided by government are taxable and mostly will be subject to reverse charge.

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Types of Supply

Composite Supply

Section 2(30) defines the expression 'composite supply' means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Continuous supply

Continuous supply is of two types viz., continuous supply of goods and continuous supply of services.

Section 2(32) defines the expression 'continuous supply of goods' as a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under the contract whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as Government may, subject to such conditions as it may, by notification, specify.

Section 2(33) defines the expression 'continuous supply of services' as a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract for a period exceeding three months with periodic payment obligation and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify.

Inward supply

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Section 2(67) defines the expression ‘inward supply’ in relation to a person, as receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration.

Outward supply

Section 2(83) defines the expression ‘outward supply’ in relation to a taxable person, as supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business.

Mixed supply

Section 2(74) defines the expression ‘mixed supply’ as two or more individual supplies of goods or services or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

Taxable supply

Section 2(108) defines the expression ‘taxable supply’ as a supply of goods or services or both which is leviable to tax under this Act

Non taxable supply

Section 2(79) defines the expression ‘non taxable supply’ as a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act.

Principal supply

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Section 2(90) defines the expression ‘principal supply’ as the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

Inter-State supply

Section 7 of Integrated Goods and Services Tax Act, defines the expression ‘inter-State Supply’ as supply of goods, where the location of the supplier and place of supply are in- two different States; two different Union territories; or a State and a Union territory shall be treated as a supply of goods in the course of inter-State trade or commerce.

Supply of goods imported into the territory of India, till they cross the customs frontiers of India, shall be treated to be a supply of goods in the course of inter-State trade or commerce. Where the location of the supplier and the place of supply are in- two different States; two different Union territories; or a State and a Union territory shall be treated as a supply of service in the course of inter-State trade or commerce. Supply of services imported into the territory of India shall be treated to be a supply of services in the course of the inter-State trade or commerce.

Supply of goods or services or both-when the supplier is located in India and the place of supply is outside India; to or by a Special Economic Zone or a Special Economic Zone unit; or in the taxable territory, not being an intra-State supply and not covered elsewhere in this section shall be treated as a supply of goods or services or both in the course of inter-State trade or commerce.

Intra-State supply

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Section 8 of IGST Act, 2017 defines the expression ‘intra-State supply’ as supply of goods where the location of the supplier and the place of supply of goods are in the same State or same Union territory shall be treated as intra-State supply.

The following supply of goods shall not be treated as intra-State supply- supply of goods to or by a Special Economic Zone developer or a Special Economic Zone Unit; goods imported into the territory of India till they cross the customs frontiers of India; or supplies made to a tourist referred to in Section 15.

The supply of services where the location of the supplier and the place of supply of services are in the same State or same Union territory shall be treated as intra-State supply. The intra-State supply of services shall not include supply of services to or by a Special Economic Zone developer or a Special Economic Zone unit.

Explanation 1. –for the purposes of this Act, where a person has- an establishment in India and any other establishment outside India; an establishment in a State or Union territory and any other establishment outside that State; or

an establishment in a State or Union territory and any other establishment being a business vertical registered with that State or Union territory, then such establishments shall be treated as establishments of distinct persons.

Explanation 2. – A person carrying on a business through a branch or an agency or a representational office in any territory shall be treated as having an establishment in that territory.

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Time of Supply

Time of Supply

In order to calculate and discharge tax liability, it is important to know the date when the tax liability arises i.e. the date on which the charging event has occurred. In GST law, it is known as Time of Supply. The GST law has provided separate provisions to determine the time of supply of goods and time of supply of services. Section 12, 13 & 14 of the Central GST Act, 2017 (CGST Act) deals with the provisions related to time of supply and by virtue of Section 20 of the Integrated GST Act, 2017 (IGST Act) these provisions are also applicable for the IGST Act. Point of time when supplier receives the payment or date of receipt of payment. The phrase “the date on which supplier receives the payment” or “the date of receipt of payment” means the date on which payment is entered in his books of accounts or the date on which the payment is credited to his bank account, whichever is earlier.

Provision relating to time of Supply

Time of issue of invoice for supply

As per section 31 of the CGST Act, an invoice for supply of goods needs to be issued before or at the time of removal of goods for supply to the recipient, where the supply involves movement of

goods. However, in other cases, an invoice needs to be issued before or at the time of delivery of goods or while making goods available to the recipient. Similarly an invoice for supply of services needs to be issued before or after the provision of service but not later than thirty days from the date of provision of service.

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a) Time of supply of goods (Default Rule)

Earliest of the following dates:

- Date of issue of invoice by the supplier. If the invoice is not issued, then the last date on which the supplier is legally bound to issue the invoice with respect to the supply
- Date on which the supplier receives the payment

b) Time of supply of services (Default Rule) Earliest of the following dates:

- Date of issue of invoice by the supplier (If the invoice is issued within the legally prescribed period under section 31(2) of the CGST Act) or the date of receipt of payment, whichever is earlier
- Date of provision of service (If the invoice is not issued within the legally prescribed period under section 31(2) of the CGST Act) or the date of receipt of payment, whichever is earlier
- Date on which the recipient shows the receipt of service in his books of account, in case the aforesaid two provisions do not apply

Example:

Mr. X sold goods to Mr. Y worth Rs 1,00,000. The invoice was issued on 15th January. The payment was received on 31st January. The goods were supplied on 20th January.

*Note: GST is not applicable to advances under GST. GST in Advance is payable at the time of issue of the invoice. Notification No. 66/2017 – Central Tax issued on 15.11.2017

Let us analyze and arrive at the time of supply in this case.

Time of supply is earliest of –

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1. Date of issue of invoice = **15th January**

2. Last date on which invoice should have been issued = 20th January

Thus the time of supply is 15th January.

What will happen if, in the same example an advance of Rs 50,000 is received by Mr. X on 1st January?

The time of supply for the advance of Rs 50,000 will be 1st January (since the date of receipt of advance is before the invoice is issued). For the balance Rs 50,000, the time of supply will be 15th January.

Example:

Mr. A provides services worth Rs 20000 to Mr. B on 1st January. The invoice was issued on 20th January and the payment for the same was received on 1st February.

In the present case, we need to 1st check if the invoice was issued within the prescribed time. The prescribed time is 30 days from the date of supply i.e. 31st January. The invoice was issued on 20th January. This means that the invoice was issued within a prescribed time limit.

The time of supply will be earliest of –

1. Date of issue of invoice = **20th January**

2. Date of payment = 1st February

This means that the time of supply of services will be 20th January.

C. Time of Supply under Reverse Charge

In case of reverse charge the time of supply for service receiver is earliest of:

1. Date of payment*

2. 30 days from date of issue of invoice for goods (60 days for services)

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*w.e.f. 15.11.2017 'Date of Payment' is not applicable for goods and applies only to services. Notification No. 66/2017 – Central Tax

For example:

M/s ABC Pvt. Ltd undertook service of a director Mr. X worth Rs. 50,000 on 15th January. The invoice was raised on 1st February. M/s ABC Pvt Ltd made the payment on 1st May.

The time of supply, in this case, will be earliest of –

1. Date of payment = 1st May
2. 60 days from date of date of invoice = **2nd April**

Thus, the time of supply of services is 2nd April.

Place of Supply (POS) in GST

In GST, the concept of a place of supply has been made relevant not only for the supply of services but also for the transaction of goods. In this article, we shall be discussing on provisions relating to the place of supply of goods.

Which tax is to be levied (IGST or CGST and SGST/UTGST) will depend on whether a particular transaction is an Inter-state supply or Intra-state supply. Hence, every transaction will have to go through the test of provisions relating to the place of supply in order to determine which tax is to be levied.

The purpose of the place of supply provisions is two-fold:

- 1) In case of cross-border transactions, to determine whether tax is to be levied on a particular transaction
- 2) In the case of domestic transactions, to determine whether a particular transaction is an inter-state supply or an intra-state supply.

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Before discussing core provisions of the place of supply of goods, we need to first have a look at few terminologies. To start off with let's see what is an inter-state and an intra-state supply.

Section 7 of IGST Act defines what a inter-state supply is. Broadly, inter-state supply is when “location of supplier” and “place of supply” are not in the same state or same union territory.

Similarly, Section 8 of IGST Act speaks about Intra-state supply. Broadly, intra-state supply is when “location of supplier” and “place of supply” are in the same state or same union territory.

There are some finer aspects which have been discussed later in the article.

It is worth noting that “location of the recipient of services” and “location of the supplier of services” have been specifically defined under CGST Act (Section 2(70) and 2(71)). However, “location of the recipient of goods” and “location of the supplier of goods” has not been defined at any place.

The provisions have been broadly divided into two categories

Section 11 - Supplies which are Imports or Exports

Section 10 - Supplies other than Imports and Exports

Transactions are further divided into some broad categories which are illustrated as under

POS for Imports and Exports (Section 11)

- 1) Imports - The place of supply of goods imported into India shall be the location of the importer.
- 2) Exports The place of supply of goods exported from India shall be the location outside India

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Place of supply

It is very important to understand the term 'place of supply' for determining the right tax to be charged on the invoice.

Here is an example:

Location of Service Receiver	Place of supply	Nature of Supply	GST Applicable
Maharashtra	Maharashtra	Intra-state	CGST + SGST
Maharashtra	Kerala	Inter-state	IGST

A. Place of Supply of Goods

Usually, in case of goods, the place of supply is where the goods are delivered.

So, the place of supply of goods is the place where the ownership of goods changes. What if there is no movement of goods. In this case, the place of supply is the location of goods at the time of delivery to the recipient.

For example: In case of sales in a supermarket, the place of supply is the supermarket itself.

Place of supply in cases where goods that are assembled and installed will be the location where the installation is done.

For example, A supplier located in Kolkata supplies machinery to the recipient in Delhi. The machinery is installed in the factory of the recipient in Kanpur. In this case, the place of supply of machinery will be Kanpur.

B. Place of Supply for Services

Generally, the place of supply of services is the location of the service recipient.

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In cases where the services are provided to an unregistered dealer and their location is not available the location of service provider will be the place of provision of service.

Special provisions have been made to determine the place of supply for the following services:

Services related to immovable property

Restaurant services

Admission to events

Transportation of goods and passengers

Telecom services

Banking, Financial and Insurance services.

In case of services related to immovable property, the location of the property is the place of provision of services.

Example 1:

Mr. Anil from Delhi provides interior designing services to Mr. Ajay(Mumbai). The property is located in Ooty(Tamil Nadu).

In this case, place of supply will be the location of the immovable property i.e. Ooty, Tamil Nadu.

Example 2:

A registered taxpayer offers passenger transport services from Bangalore to Hampi. The passengers do not have GST registration. What will be the place of supply in this case?

The place of supply is the place from where the departure takes place i.e. Bangalore in this case.

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3. Value of Supply of Goods or Services

Value of supply means the money that a seller would want to collect the goods and services supplied.

The amount collected by the seller from the buyer is the value of supply.

But where parties are related and a reasonable value may not be charged, or transaction may take place as a barter or exchange; the GST law prescribes that the value on which GST is charged must be its 'transactional value'.

This is the value at which unrelated parties would transact in the normal course of business. It makes sure GST is charged and collected properly, even though the full value may not have been paid.

Provision relating to place of supply

Place of Supply of Goods

Updated on Jan 11, 2018 - 05:14:58 PM

GST is a destination based tax, i.e., the goods/services will be taxed at the place where they are consumed and not at the origin. So, the state where they are consumed will have the right to collect GST.

This, in turn, makes the concept of place of supply crucial under GST as all the provisions of GST revolves around it.

Place of supply of goods under GST defines whether the transaction will be counted as intra-state or inter-state, and accordingly levy of SGST, CGST & IGST will be determined.

Movement of goods

No movement of goods

Goods supplied on a vessel/conveyance

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Imports & exports

Place of Supply When There is Movement of Goods

Place of supply of goods

Example 1- Intra-state sales

Mr. Raj of Mumbai, Maharashtra sells 10 TV sets to Mr. Vijay of Nagpur, Maharashtra

The place of supply is Nagpur in Maharashtra. Since it is the same state CGST & SGST will be charged.

Example 2-Inter-State sales

Mr. Raj of Mumbai, Maharashtra sells 30 TV sets to Mr. Vinod of Bangalore, Karnataka

The place of supply is Bangalore in Karnataka. Since it is a different state IGST will be charged.

Example 3- Deliver to a 3rd party as per instructions

Anand in Lucknow buys goods from Mr. Raj in Mumbai (Maharashtra). The buyer requests the seller to send the goods to Nagpur (Maharashtra)

In this case, it will be assumed that the buyer in Lucknow has received the goods & IGST will be charged.

Place of supply: Lucknow (UP)

GST: IGST

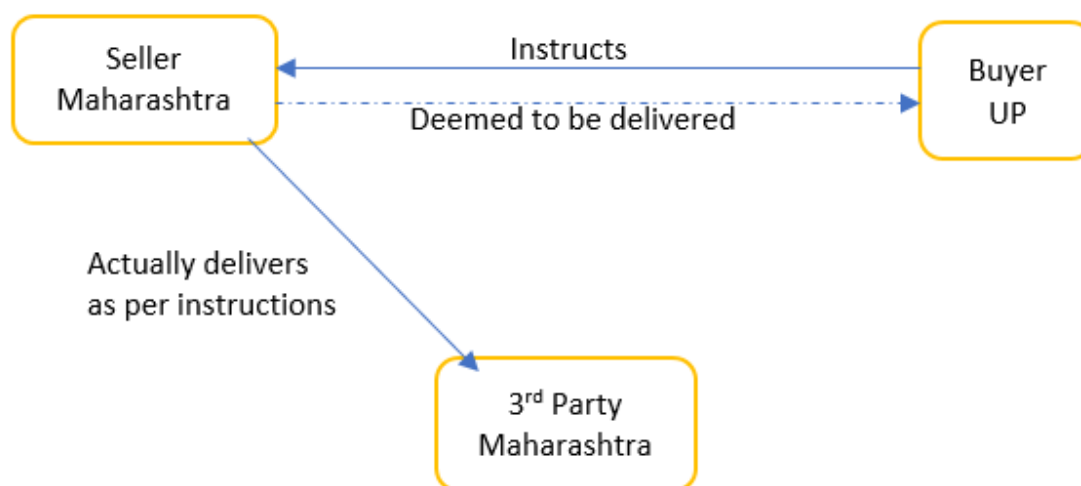
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Example 4- Receiver takes the goods ex-factory

Mr. Raj of Mumbai, Maharashtra gets an order of 100 TV sets from Sales Heaven Ltd. of Chennai, Tamil Nadu. Sales Heaven mentions that it will arrange its own transportation and take TV sets from Mr. Raj ex-factory

Place of supply: Maharashtra

GST: CGST & SGST

As, the goods are received ex-factory, i.e., in Maharashtra, the movement of the goods terminates for delivery to the recipient there. It is immaterial whether the receiver further transports the goods or not.

Example 5 – E-commerce sale

Mr. Raj of Mumbai, Maharashtra orders a mobile from Amazon to be delivered to his mother in Lucknow (UP) as a gift. M/s ABC (online seller registered in Gujarat) processes the order and sends the mobile accordingly and Mr. Raj is billed by Amazon.

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Similar to example 3, it will be assumed that the buyer in Mumbai has received the goods & IGST will be charged.

Place of supply: Mumbai, Maharashtra

GST: IGST

No Movement of Goods

Example 1- No movement of goods

Sales Heaven Ltd. (Chennai) opens a new showroom in Bangalore. It purchases a building for showroom from ABC Realtors (Bangalore) along with pre-installed workstations

Place of supply: Bangalore

GST: CGST & SGST

There is no movement of goods (work stations), so the place of supply will be the location of such goods at the time of delivery (handing over) to the receiver.

Note: There is no GST on purchase of building or part thereof. RENT of commercial space attracts GST

Example 2- Installing goods

Strong Iron & Steel Ltd. (Jharkhand) asks M/s SAAS Constructions (West Bengal) to build a blast furnace in their Jharkhand steel plant

Place of supply: Jharkhand

GST: CGST & SGST

Although M/s SAAS is in West Bengal, the goods (blast furnace) is being installed at site in Jharkhand which will be the place of supply.

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Note: M/s SAAS will have to be registered in Jharkhand to take up this contract. They can opt to register as a casual taxable person which will be valid for 90 days (extendable by 90 days more, on basis of a reasonable cause).

Place of supply of goods

Goods Supplied on a Vessel/Conveyance

Example 1- Plane

Mr. Ajay is travelling from Mumbai to Delhi by air. He purchases coffee and snacks while on the plane. The airlines is registered in both Mumbai and Delhi.

Place of supply: Mumbai

GST: CGST& SGST

The food items were loaded into the plane at Mumbai. So, place of supply becomes Mumbai.

Example 2- Plane- Business travel

Mr. Ajay is travelling from Mumbai to Chennai by air on behalf of his company Ram Gopal and Sons (registered in Bangalore). In the plane he purchases lunch. The airlines is registered in Mumbai & Chennai.

Place of supply: Mumbai

GST: CGST & SGST

The food items were loaded into the plane at Mumbai. So, place of supply becomes Mumbai. It does not matter where the buyer is registered.

In most cases CGST & SGST is charged because most airlines have a pan-India presence and will be registered in all states.

Example 3- Train

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Mr. Vinod is travelling to Mumbai via train. The train starts at Delhi and stops at certain stations before Mumbai. Vinod boards the train at Vadodara (Gujarat) and promptly purchases lunch on board. The lunch had been boarded in Delhi.

Place of supply: Delhi

GST: CGST & UTGST

The food items were loaded into the train at Delhi. So, place of supply becomes Delhi.

CGST & SGST is charged because Indian railways has a pan-India presence and will be registered in all states. It does not matter where the buyer is registered.

Valuation mechanism

Valuation of supply under GST

GST will be charged on the 'transaction value'. Transaction value is the price actually paid (or payable) for the supply of goods/services between un-related parties (i.e., price is the sole consideration)

The value of supply under GST shall include:

1. Any taxes, duties, cess, fees, and charges levied under any act, except GST. GST Compensation Cess will be excluded if charged separately by the supplier.
2. Any amount that the supplier is liable to pay which has been incurred by the recipient and is not included in the price.
3. The value will include all **incidental expenses** in relation to sale such as packing, commission etc.

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4. Subsidies linked to supply, except Government subsidies will be included.
5. Interest/late fee/penalty for delayed payment of consideration will be included.

Example

Let us consider an example of ABC, a manufacturer, selling tools



and hardware like drills, polishers, spades etc. It sells a power drill to XYZ a wholesaler. The MRP is Rs. 5,500 but ABC sells it for Rs. 3,000.

Currently, the invoice will look like-

Power Drill	3,000
Add: Excise @ 12.5%	375
Subtotal	3,375
Add: VAT @14.5% (on subtotal)	490
Total	3,865

Value of supply under GST

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The value of goods &/or services supplied is the transaction value, i.e. the price paid/payable, which is Rs 3,000 in the example. Assuming CGST=9% and SGST= 9%

Power Drill	3,000
Add: CGST @9%	270
Add: SGST @9%	270
Total	3,540

Discounts

Discounts will be treated differently under GST. Discounts given before or at the time of supply will be allowed as a deduction from transaction value. Discounts given after supply will be allowed only if certain conditions are satisfied.

Please read part II of this article which deals with discounts and impact of GST along with examples.

Valuation of supply when a transaction is not in INR.

When exports are made the invoice may be raised by the taxpayer in Foreign Currency. The IGST (if any) charged in the invoice will be converted using RBI Exchange Rate. The exchange rates are available on the RBI Website.

RBI exchange rates are to be used in case of imports too. When reverse charge is applicable on imported supplies the invoice amount has to be converted using the RBI Exchange Rate.

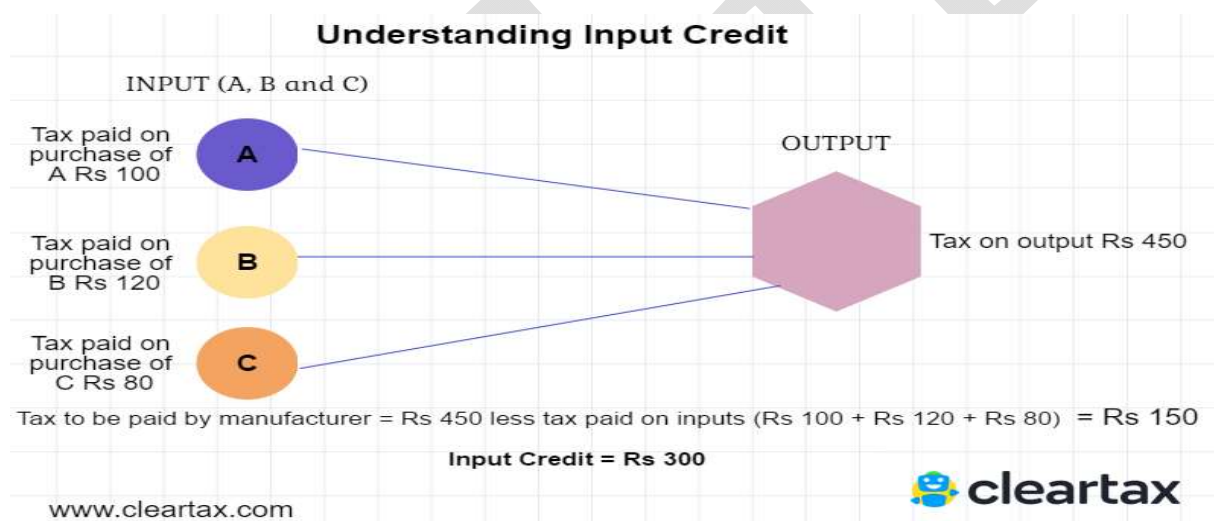
Input tax credit mechanism

Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.

Here's how-

When you buy a product/service from a registered dealer you pay taxes on the purchase. On selling, you collect the tax. You adjust the taxes paid at the time of purchase with the amount of output tax (tax on sales) and balance liability of tax (tax on sales minus tax on purchase) has to be paid to the government. This mechanism is called utilization of input tax credit.

For example- you are a manufacturer:



ITC can be claimed by a person registered under GST only if he fulfills ALL the conditions as prescribed.

- The dealer should be in possession of tax invoice
- The said goods/services have been received
- Returns have been filed.

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- The tax charged has been paid to the government by the supplier.
- When goods are received in installments ITC can be claimed only when the last lot is received.
- No ITC will be allowed if depreciation has been claimed on tax component of a capital good

ITC can be claimed only for business purposes.

ITC will not be available for goods or services exclusively used for:

- Personal use
- Exempt supplies
- Supplies for which ITC is specifically not available

Reversal of Input Tax Credit

ITC can be availed only on goods and services for business purposes. If they are used for non-business (personal) purposes, or for making exempt supplies ITC cannot be claimed. Apart from these, there are certain other situations where ITC will be reversed.

ITC will be reversed in the following cases-

- 1) Non-payment of invoices in 180 days-** ITC will be reversed for invoices which were not paid within 180 days of issue.
- 2) Credit note issued to ISD by seller-** This is for ISD. If a credit note was issued by the seller to the HO then the ITC subsequently reduced will be reversed.
- 3) Inputs partly for business purpose and partly for exempted supplies or for personal use –** This is for businesses which use inputs for both business and non-business (personal) purpose. ITC used in the portion of input

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goods/services used for the personal purpose must be reversed proportionately.

4) Capital goods partly for business and partly for exempted supplies or for personal use – This is similar to above except that it concerns capital goods.

5) ITC reversed is less than required- This is calculated after the annual return is furnished. If total ITC on inputs of exempted/non-business purpose is more than the ITC actually reversed during the year then the difference amount will be added to output liability. Interest will be applicable.

The details of reversal of ITC will be furnished in **GSTR-2**. To find out more about the segregation of ITC into business and personal use and subsequent calculations, please visit our article.

Reconciliation of ITC

ITC claimed by the person has to match with the details specified by his supplier in his GST return. In case of any mismatch, the supplier and recipient would be communicated regarding discrepancies after the filling of GSTR 3. Please read our article on the detailed explanation of the reasons for mismatch of ITC and procedure to be followed to apply for re-claim of ITC.

Documents Required for Claiming ITC

The following documents are required for claiming ITC:

1. Invoice issued by the supplier of goods/services
2. The debit note issued by the supplier to the recipient (if any)

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3. Bill of entry
 4. An invoice issued under certain circumstances like the bill of supply issued instead of tax invoice if the amount is less than Rs 200 or in situations where the reverse charge is applicable as per GST law.
 5. An invoice or credit note issued by the Input Service Distributor(ISD) as per the invoice rules under GST.
 6. A bill of supply issued by the supplier of goods and services or both.
- All these documents are to furnished at the time of filing form GSTR-2.

Special cases of ITC

ITC for Capital Goods

ITC is available for capital goods under GST.

However, ITC is not available for-

- i. Capital Goods used exclusively for making exempted goods
- ii. Capital Goods used exclusively for non-business (personal) purposes

Note: No ITC will be allowed if depreciation has been claimed on tax component of capital goods.

ITC on Job Work

A principal manufacturer may send goods for further processing to a job worker. For example, a shoe manufacturing company sends half-made shoes (upper part) to job workers who will fit the soles. In such a situation the principal manufacturer will be allowed to take credit of tax paid on the purchase of such goods sent on job work.

ITC will be allowed when goods are sent to job worker in both the cases:

1. From principal's place of business

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2. Directly from the place of supply of the supplier of such goods

However, to enjoy ITC, the goods sent must be received back by the principal within 1 year (3 years for capital goods).

ITC Provided by Input Service Distributor (ISD)

An input service distributor (ISD) can be the head office (mostly) or a branch office or registered office of the registered person under GST. ISD collects the input tax credit on all the purchases made and distribute it to all the recipients (branches) under different heads like CGST, SGST/UTGST, IGST or cess.

ITC on Transfer of Business

This applies in cases of amalgamations/mergers/transfer of business. The transferor will have available ITC which will be passed to the transferee at the time of transfer of business.

Payment mechanism

Payments –

1. What are payments to be made under GST?

Under GST the tax to be paid is mainly divided into 3 –

- IGST – To be paid when interstate supply is made (paid to center)
- CGST – To be paid when making supply within the state (paid to center)
- SGST – To be paid when making supply within the state (paid to state)

CIRCUMSTANCES	CGST	SGST	IGST
Goods sold from Delhi to Bombay	NO	NO	YES
Goods sold within Bombay	YES	YES	NO

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Goods sold from Bombay to Pune	YES	YES	NO
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Apart from the above payments a dealer is required to make these payments –

- Tax Deducted at Source (TDS) – TDS is a mechanism by which tax is deducted by the dealer before making the payment to the supplier

For example –

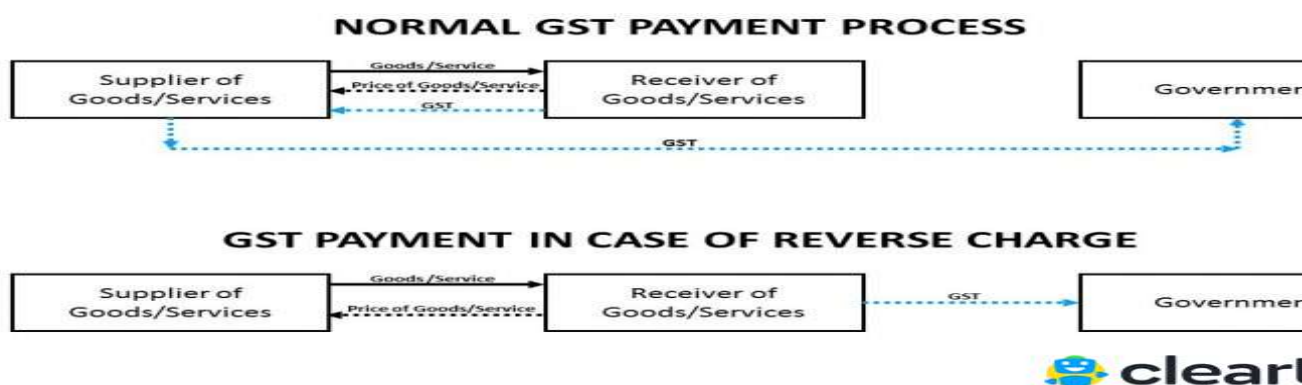
A government agency gives a road laying contract to a builder. The contract value is Rs 10 lakh.

When the government agency makes payment to the builder TDS @ 1% (which amounts to Rs 10,000) will be deducted and balance amount will be paid.

- Tax Collected at Source (TCS) – TCS is mainly for e-commerce aggregators. It means that any dealer selling through e-commerce will receive payment after deduction of TCS @ 2%.

This provision is currently relaxed and will not be applicable to notified by the government.

- Reverse Charge – The liability of payment of tax shifts from the supplier of goods and services to the receiver. To know more about reverse charge check out our article 'Know all about Reverse Charge under GST'



- Interest, Penalty, Fees and other payments

2. How to calculate the GST payment to be made?

Usually, the Input Tax Credit should be reduced from Outward Tax Liability to calculate the total GST payment to be made.

TDS/TCS will be reduced from the total GST to arrive at the net payable figure.

Interest & late fees (if any) will be added to arrive at the final amount.

Also, ITC cannot be claimed on interest and late fees. Both Interest and late fees are required to be paid in cash.

The way the calculation is to be done is different for different types of dealers –

Regular Dealer

A regular dealer is liable to pay GST on the outward supplies made and can also claim Input Tax Credit (ITC) on the purchases made by him.

The GST payable by a regular dealer is the difference between the outward tax liability and the ITC.

Composition Dealer

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The GST payment for a composition dealer is comparatively simpler. A dealer who has opted for composition scheme has to pay a fixed percentage of GST on the total outward supplies made.

GST is to be paid based on the type of business of a composition dealer.

Composition Scheme – Applicable GST Rate			
Type of Business	CGST	SGST	Total
Manufacturer and Traders (Goods)	0.5%	0.5%	1.0%
Restaurants not serving alcohol	2.5%	2.5%	5%
Service Providers are not eligible for Composition Scheme			

Who should make the payment?

These dealers are required to make GST payment –

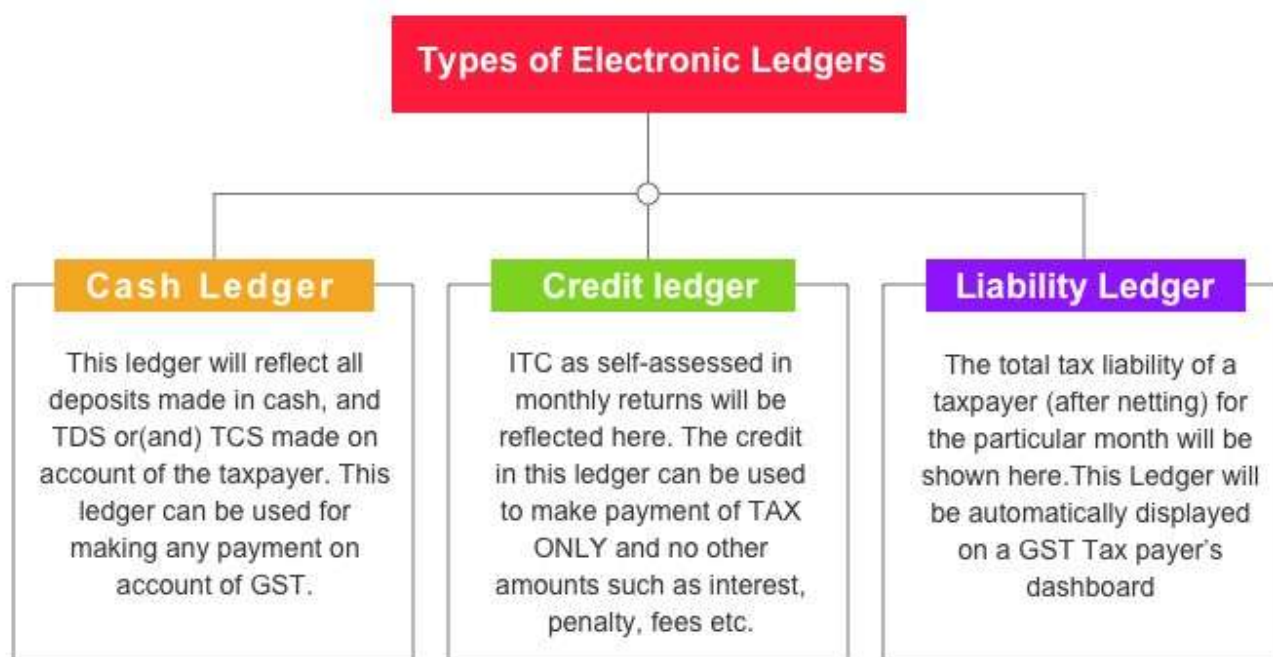
1. A Registered dealer is required to make GST payment if GST liability exists.
2. Registered dealer required to pay tax under Reverse Charge Mechanism(RCM).
3. E-commerce operator is required to collect and pay TCS
4. Dealers required deducting TDS

When should GST payment be made?

GST payment is to be made when the GSTR 3 is filed i.e by 20th of the next month.

Electronic ledgers

These ledgers are maintained on the electronically on GST Portal.



GST payment can be made in 2 ways –

- **Payment through Credit Ledger –**

The credit of ITC can be taken by dealers for GST payment. The credit can be taken only for payment of Tax. Interest, penalty and late fees cannot be paid by utilizing ITC.

- **Payment through Cash Ledger –**

GST payment can be made online or offline. The challan has to be generated on GST Portal for both online and offline GST payment.

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Where tax liability is more than Rs 10,000, it is mandatory to pay taxes Online.

Penalty for non-payment or delayed payment

If GST is short paid, unpaid or paid late interest at a rate of 18% is required to be paid by the dealer. Also, a penalty to be paid. The penalty is higher of Rs. 10,000 or 10% of the tax short paid or unpaid.

B. Refunds –

GST refund

Usually when the GST paid is more than the GST liability a situation of claiming GST refund arises. Under GST the process of claiming a refund is standardized to avoid confusion. The process is online and time limits have also been set for the same.

When can the refund be claimed?

There are many cases where refund can be claimed. Here are some of them –
Excess payment of tax is made due to mistake or omission.

- Dealer Exports (including deemed export) goods/services under claim of rebate or Refund
- ITC accumulation due to output being tax exempt or nil-rated
- Refund of tax paid on purchases made by Embassies or UN bodies
- Tax Refund for International Tourists
- Finalization of provisional assessment

How to calculate GST refund?

Let's take a simple case of excess tax payment made.

Mr. B's GST liability for the month of September is Rs 50000. But due to mistake, Mr. B made a GST payment of Rs 5 lakh.

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Now Mr. B has made an excess GST payment of Rs 4.5 lakh which can be claimed as a refund by him. The time limit for claiming the refund is 2 years from the date of payment.

The time limit for claiming the refund

The time limit for claiming a refund is 2 years from relevant date.

The relevant date is different in every case.

Here are the relevant dates for some cases –

Reason for claiming GST Refund	Relevant Date
Excess payment of GST	Date of payment
Export or deemed export of goods or services	Date of despatch/loading/passing the frontier
ITC accumulates as output is tax exempt or nil-rated	Last date of financial year to which the credit belongs
Finalisation of provisional assessment	Date on which tax is adjusted

Also if refund is paid with delay an interest of 24% p.a. is payable by the government.

How to claim GST refund?

The refund application has to be made in Form RFD 01 within 2 years from relevant date.

The form should also be certified by a Chartered Accountant.

You can file your returns very easily using ClearTax GST Software.

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Sign-up now and try it yourself.

REFUND PROCESS UNDER GST

Refund process under GST will be a much faster and smoother process.

It is expected that processing time for refund under GST might be 7 days.

Every registered person is required to compute his tax liability on a monthly basis by setting off the Input Tax Credit(ITC) against the Outward Tax Liability. If there is any balance tax liability the same is required to be paid to the government.

There are 3 ledgers prescribed by the government that is required to be maintained by every tax payer –

1. Electronic Tax Liability Ledger

The electronic tax liability ledger shows the total tax liability of a registered person at any point of time. This detail can be accessed on the GST portal of a registered tax payer

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Amount of tax payable	A
Interest, late fee	B
Amount of tax payable along with interest on account of mismatch of credit based on provisions of Section 29 or Section 29A or section 43C	C
Any other amount payable by the taxpayer or directed by the board on account of any proceeding's carried out	D
Tax Deduction at Source	E
Tax Collection at Source	F
tax payable under reverse charge	G
Amount payable by the department against any interest, refund, penalty, late fee or any other amount determined under the proceedings under this Act	H
Balance in Electronic Tax Liability Ledger	=A+B+C+D-E-F-G-H

2. Electronic Cash Ledger

An Electronic Cash Ledger will also be maintained on the GST portal. It will display the total amount deposited by the tax payer towards discharge of his tax liability or interest or late fee or penalty any other amounts. Also, it is now mandatory for businesses making payment for more than Rs 10,000 to do it electronically.

To know more on how to GST check our Guide on [GST Payment](#)

3. Electronic credit ledger

All the taxes paid on the inputs would be recorded in the electronic credit ledger. The input tax credit in each of the cases mentioned below, shall also be transferred to the electronic credit ledger:

- ITC available to the branch for the amount of credit transferred by ISD

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- ITC allowed on input held in stock and the semi-finished or finished goods would be credited to electronic credit ledger if the taxpayer applies for registration within 30 days of becoming liable to pay tax.
- ITC available on the input held in stock and semi-finished or finished goods by a taxpayer in the composition scheme converting to a normal taxpayer shall be transferred to electronic credit ledger.
- ITC available due to the taxes paid under the reverse charge mechanism shall also be transferred to the electronic credit ledger.
- ITC available on goods/services used for the business and other purposes shall only be allowed to the extent applicable for business purposes.

All the payments under GST have to be made by either using the input tax credit available in the electronic credit ledger or through the electronic cash ledger.

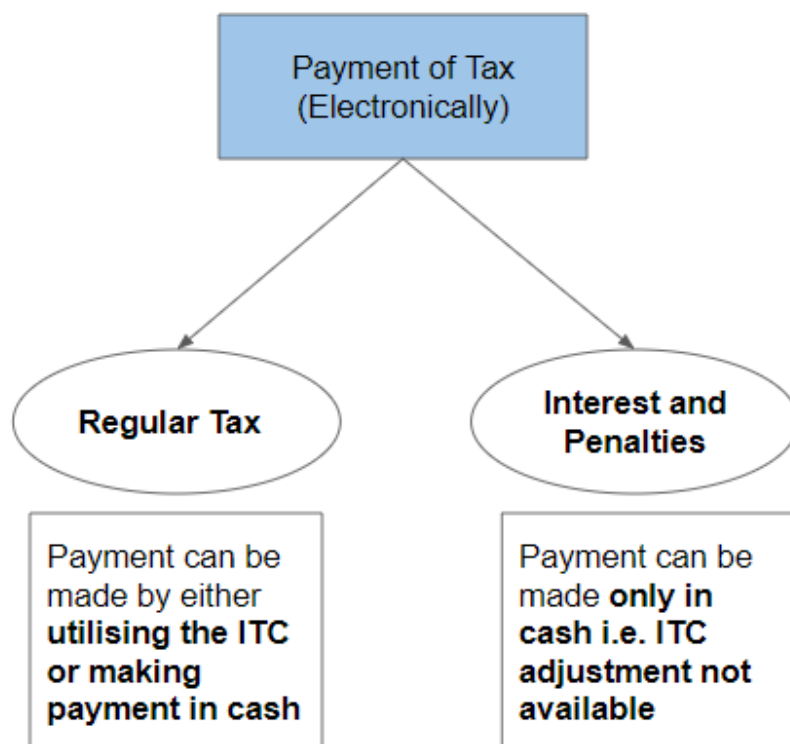
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Utilizing ITC for the fulfillment of Tax liability:

IGST: After the IGST input tax credit is used for payment of IGST then the remaining ITC can be used to pay tax liability under CGST and SGST.

CGST: The CGST input tax credit cannot be used to pay the SGST liability but can be used to pay the liability under CGST.

SGST: The SGST input tax credit cannot be used to pay the CGST liability but can be used to pay the liability under CGST.

Registration under GST-Rules.

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Introduction

In any tax system, registration is the most fundamental requirement for identification of tax payers ensuring tax compliance in the economy. Registration of any business entity under the GST Law implies obtaining a unique number from the concerned tax authorities for the purpose of collecting tax on behalf of the government and to avail Input Tax Credit for the taxes on his inward supplies. Without registration, a person can neither collect tax from his customers nor claim any input Tax Credit of tax paid by him.

Need and advantages of registration

Registration will confer the following advantages to a taxpayer:

- He is legally recognized as supplier of goods or services.
- He is legally authorized to collect taxes from his customers and pass on the credit of the taxes paid on the goods or services supplied to the purchasers/recipients.
- He can claim Input Tax Credit of taxes paid and can utilize the same for payment of taxes due on supply of goods or services.
- Seamless flow of Input Tax Credit from suppliers to recipients at the national level.

Liability to register

GST being a tax on the event of “supply”, every supplier needs to get registered. However, small businesses having all India aggregate turnover below Rupees 20 lakh (10 lakh if business is in Assam, Arunachal Pradesh, J&K, Himachal

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Pradesh, Uttarakhand, Manipur, Mizoram, Sikkim, Meghalaya, Nagaland or Tripura) need not register. The small businesses, having turnover below the threshold limit can, however, voluntarily opt to register.

The aggregate turnover includes supplies made by him on behalf of his principals, but excludes the value of job-worked goods if he is a job worker. But persons who are engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax or an agriculturist, to the extent of supply of produce out of cultivation of land are not liable to register under GST.

REGISTRATION RULES,

REGISTRATION

1. Application for registration

- (1) Every person, other than a non-resident taxable person, a person required to deduct tax at source under section 37 and a person required to collect tax at source under section 43C, who is liable to be registered under sub-section (1) of section 19 and every person seeking registration under sub-section (3) of section 19 (hereinafter referred to in this Chapter as “the applicant”) shall, before applying for registration, declare his Permanent Account Number (PAN), mobile number and e-mail address in Part A of FORM GST REG-01 on the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner.
- (2) (a) The PAN shall be validated online by the Common Portal from the database maintained by the Central Board of Direct Taxes constituted under the Central Board of Revenue Act, 1963 (54 of 1963).

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- (b) The mobile number declared under sub-rule (1) shall be verified through a one-time password sent to the said mobile number.
- (c) The e-mail address declared under sub-rule (1) shall be verified through a separate one-time password sent to the said e-mail address.
- (3) On successful verification of the PAN, mobile number and e-mail address, an application reference number shall be generated and communicated to the applicant on the said mobile number and e-mail address.
- (4) Using the reference number generated under sub-rule (3), the person referred to in sub-rule (1) shall electronically submit an application in Part B of FORM GST REG01, duly signed, along with documents specified in the said Form, at the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner.
- (5) On receipt of an application under sub-rule (4), an acknowledgement shall be issued electronically to the applicant in FORM GST REG-02.
- (6) A person applying for registration as a casual taxable person shall be given a temporary identification number by the Common Portal for making advance deposit of tax under section 19A and the acknowledgement under sub-rule (5) shall be issued electronically thereafter.
- (7) The person applying for registration under sub-rule (6) shall make an advance deposit of tax in an amount equivalent to the estimated tax liability during the period for which registration is sought, as specified in section 19A.

2. Verification of the application

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- (1) The application shall be forwarded to the proper officer who shall examine the application and the accompanying documents and if the same are found to be in order, approve the grant of registration to the applicant within three common working days from the date of submission of application.
- (2) Where the application submitted under rule 1 is found to be deficient, either in terms of any information or any document required to be furnished under the said rule, or where the proper officer requires any clarification with regard to any information provided in the application or documents furnished therewith, he may so intimate to the applicant electronically in FORM GST REG-03 within three common working days from the date of submission of application and the applicant shall furnish electronically such clarification, information or documents sought, in FORM GST REG-04, within seven common working days from the date of receipt of such intimation.

Explanation: The clarification includes modification or correction of particulars declared in the application for registration, other than PAN, mobile number and e-mail address declared in Part A of FORM GST REG-01.

- (3) Where a clarification under sub-rule (2) of the GST Rules of the concerned State has been sought prior to any clarification, information or document being sought under sub-rule (2), the clarification, information or document furnished by the applicant shall be forwarded to the proper officer under said Rules for appropriate action. (CGST Rules)

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- (3) Where a clarification under sub-rule (2) of the CGST Rules has been sought prior to any clarification being sought under the sub-rule (2), the information furnished by the applicant shall be forwarded to the proper officer under the CGST Rules for appropriate action. (SGST Rules)
- (4) Where the proper officer is satisfied with the clarification, information or documents furnished by the applicant, he may approve the grant of registration to the applicant within seven common working days of receipt of such clarification or information or document.
- (5) Where the proper officer is not satisfied with the clarification, information or documents furnished, he shall, for reasons to be recorded in writing, reject such application and inform the applicant electronically in FORM GST REG-05.
- (6) If the proper officer fails to take any action(a) within three common working days from the date of submission of application, or
- (b) within seven common working days from the date of receipt of clarification, information or documents furnished by the applicant under sub-rule (2), the application for grant of registration shall be deemed to have been approved.

3. Issue of registration certificate

- (1) Subject to the provisions of sub-section (11) of section 19, where the application for grant of registration has been approved under rule 2, a certificate of registration in FORM GST REG-06 for the principal place of business and for every additional place of business shall be made available to the applicant on the Common Portal.

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(2) The registration shall be effective from the date on which the person becomes liable to registration where the application for registration has been submitted within thirty days from such date.

(3) Where an application for registration has been submitted by the applicant after thirty days from the date of his becoming liable to registration, the effective date of registration shall be the date of grant of registration under sub-rules (1), (4) or (6) of rule 2.

4. Separate Registrations for multiple business verticals within a State

(1) Any person having multiple business verticals within a State, requiring a separate registration for any of its business verticals under sub-section (2) of section 19 shall be granted separate registration in respect of each of the verticals subject to the following conditions:

(a) Such person has more than one business vertical as defined under subsection (18) of section 2 of the Act;

(b) No business vertical of a taxable person shall be granted registration to pay tax under section 8 if any one of the other business verticals of the same person is paying tax under section 7.

Explanation: Where any business vertical of a registered taxable person that has been granted a separate registration becomes ineligible to pay tax under section

8, all other business verticals of the said person shall become ineligible to pay tax under section 8.

(c) All separately registered business verticals of such person shall pay tax

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under this Act on supply of goods and/or services made to another registered business vertical of such person and issue a tax invoice for such supply.

- (2) A registered taxable person eligible to obtain separate registration for business verticals may file separate application in FORM GST REG-01 in respect of each such vertical.
- (3) The provisions of rule 1 and rule 2 relating to verification and grant of registration shall mutatis mutandis apply to an application made under this rule.

5. Grant of Registration to persons required to deduct tax at source or collect tax at source

- (1) Any person required to deduct tax under sub-section (1) of section 37 or a person required to collect tax at source under section 43C shall electronically submit an application, duly signed, in FORM GST REG-07 for grant of registration, through the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner.
- (2) The proper officer may grant registration after due verification and issue a registration certificate in FORM GST REG-06 within three common working days from the date of submission of application.
- (3) Where, upon an enquiry or pursuant to any other proceeding, the proper officer is satisfied that a person to whom a certificate of registration in FORM GST REG-06 has been issued is no longer liable to deduct tax at source under section 37 or collect tax at source under section 43C, the said officer may cancel the registration issued under subrule (2) and such

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cancellation shall be communicated to the said person in FORM GST REG-08.

Provided that the proper officer shall not cancel the registration without giving a notice to show cause and without giving the person a reasonable opportunity of being heard.

6. Assignment of unique identity number to certain special entities

- (1) Every person required to obtain a unique identity number under sub-section (6) of section 19 may submit an application, electronically in FORM GST REG-09, duly verified in the manner specified in rule 1, at the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner.
- (2) The proper officer may, upon submission of an application in FORM GST REG-9 or after filling up the said form, assign a Unique Identity Number to the said person and issue a certificate in FORM GST REG-06, within three common working days from the date of submission of application.

7. Display of registration certificate and GSTIN in name board

- (1) Every registered taxable person shall display his certificate of registration in a prominent location at his principal place of business and at every additional place or places of business.
- (2) Every registered taxable person shall display his GSTIN in the name board exhibited at the entry of his principal place of business and at every additional place or places of business.

8. Grant of registration to non-resident taxable person

- (1) A non-resident taxable person shall electronically submit an application for

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registration, duly signed, in FORM GST REG-10, at least five days prior to commencement of the business at the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner.

- (2) A person applying for registration as a non-resident taxable person shall be given a temporary identification number by the Common Portal for making an advance deposit of tax under section 19A and the acknowledgement under sub-rule (5) of rule 1 shall be issued thereafter.
- (3) The person applying for registration under sub-rule (1), shall make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person during the period for which registration is sought, as specified in section 19A.
- (4) The provisions of rule 1 and rule 2 relating to verification and grant of registration shall apply mutatis mutandis to an application made under this rule.

9. Amendment to Registration

- (1) Where there is any change in any of the particulars furnished in the application for registration in FORM GST REG-01, FORM GST REG-07, FORM GST REG-09 or FORM GST-REG-10, as the case may be, either at the time of obtaining registration or as amended from time to time, the registered taxable person shall, within fifteen days of such change, submit an application electronically, duly signed, in FORM GST REG-11, electronically, along with documents relating to such change at the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner.

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- (2) (a) Where the change relates to the Name of Business, Principal Place of Business, and details of partners or directors, karta, Managing Committee, Board of Trustees, Chief Executive Officer or equivalent, responsible for day to day affairs of the business which does not warrant cancellation of registration under section 21, the proper officer shall approve the amendment within fifteen common working days from the date of receipt of application in FORM GST REG11 after due verification and on being satisfied about the need to make amendment and issue an order in FORM GST REG-12 electronically and such amendment shall take effect from the date of occurrence of the event warranting amendment.
- (b) Where the change relates to any particulars other than those specified in clause (a), the certificate of registration shall stand amended upon submission of the application in FORM GST REG-11 on the Common Portal: Provided that any change in the mobile number or the e-mail address of authorised signatory submitted under rule 1, as amended from time to time, shall be carried out only after online verification through the Common Portal in the manner provided under rule 1.
- (c) Where a change in the constitution of any business results in change of the Permanent Account Number (PAN) of a registered taxable person, the said person shall apply for fresh registration in FORM GST REG-01.
- (3) Where the proper officer is of the opinion that the amendment sought under clause (a) of sub-rule (2) is either not warranted or the document furnished therewith is incomplete or incorrect, he may, by a notice in FORM GST REG-03, within fifteen common working days from the date of receipt of the

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application in FORM GST REG-11, require the registered taxable person to show cause, within seven common working days of the service of the said Form GST REG-03, as to why the application submitted under sub-rule (1) shall not be rejected.

- (4) The taxable person seeking amendment shall file reply to the notice to show cause issued under the sub-rule 3, in FORM GST REG-04 within seven days of the receipt of the said notice.
- (5) Where a notice to show cause has already been issued by the proper officer under the [SGST Rules of the State/CGST Rules] no notice shall be issued under sub-rule (3) by the proper officer.
- (6) If the proper officer fails to take any action (a) within fifteen common working days from the date of submission of application, or
(b) within seven days from the receipt of the clarification, information or documents furnished by the applicant under sub-rule (3), the certificate of registration shall stand amended to the extent applied for and the amended certificate shall be made available on the Common Portal.

10. Suo moto registration

- (1) Where, during the course of any survey, inspection, search, enquiry or any Other proceeding under the Act, the proper officer finds that a person liable to registration under the Act has failed to apply for such registration, such officer may register the said person on a temporary basis and issue an order in FORM GST REG 13.
- (2) The registration issued under sub-rule (1) shall be effective from the date of order of registration.

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- (3) Every person to whom a temporary registration has been granted under sub-rule (1) shall, within thirty days from the date of the grant of such registration under the said sub-rule, file an application for registration in the form and manner provided in rule 1 unless the said person has filed an appeal against the grant of temporary registration, in which case the application for registration shall be applied for thirty days after the date of the issuance of order upholding the liability to register by the Appellate Authority.
- (4) The provisions of rule 2 and rule 3 relating to verification and issue of certificate of registration shall apply mutatis mutandis to an application submitted under sub-rule (3).
- (5) The GSTIN assigned pursuant to verification under sub-rule (4) shall be effective from the date of order of registration under sub-rule (1).

11. Application for cancellation of registration

- (1) A registered taxable person seeking cancellation of his registration under subsection (1) of section 21 shall electronically submit an application in FORM GST REG-14 including the details of closing stock and liability thereon and may furnish, along with the application, relevant documents in support thereof at the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner: Provided that no application for cancellation of registration shall be considered in case of a taxable person, who has registered voluntarily, before the expiry of a period of one year from the effective date of registration.

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- (2) Every taxable person, other than a person paying tax under section 8, seeking cancellation of registration under sub-rule (1) shall furnish a final return under rule Return.19.

12. Cancellation of registration

- (1) Where the proper officer has reasons to believe that the registration of a taxable person is liable to be cancelled under section 21, he may issue a notice to the taxable person in FORM GST REG-15 to show cause within seven days as to why his registration should not be cancelled:

Provided that where a notice for cancellation has been issued under [SGST rules of the State/CGST Rules], no notice shall be issued under sub-rule (1).

- (2) Where the proper officer is satisfied that a taxable person who has submitted an application for cancellation of his registration is no longer liable to be registered or his registration is liable to be cancelled under section 21, he may, by issue of an order in FORM GST REG-16, to be passed within thirty days from the date of application under sub-rule (1) of rule 11 or, as the case may be, the date of reply to the show cause issued under sub-rule (1), cancel the registration, with effect from a date to be determined by him and notify the taxable person, directing him to pay arrears of any tax, interest or penalty including the amount liable to be paid under sub-section(7) of section 21.
- (3) The provisions of sub-rule (1) shall apply mutatis mutandis to the legal heirs of a deceased proprietor, as if the application had been submitted by the proprietor himself.

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13. Revocation of cancellation of registration

(1) A taxable person, whose registration is cancelled by the proper officer on his own motion, may submit an application for revocation of cancellation of registration, in FORM GST REG-17, to such proper officer, within thirty days from the date of service of the order of cancellation of registration at the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner:

Provided that no application for revocation shall be filed if the registration has been cancelled for the failure of the taxable person to furnish returns unless such returns are filed and any amount due as tax in terms of such returns has been paid along with any amount payable towards interest, penalties and late fee payable in respect of the said returns.

(2)(a) Where the proper officer is satisfied, for reasons to be recorded in writing, that there are sufficient grounds for revocation of cancellation of registration, he shall revoke the cancellation of registration by an order in FORM GST REG-18 within thirty days from the date of receipt of such application and communicate the same to the applicant.

(b) The proper officer may, for reasons to be recorded in writing, under circumstances other than those specified in clause (a), by an order in FORM GST REG05, reject the application for revocation of cancellation of registration and communicate the same to the applicant.

(3) The proper officer may require the applicant to furnish, within three common working days of the filing of the application, such additional information or clarification as, in his opinion, may be required for verifying

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the particulars furnished in the said application, in FORM GST REG-03 and the applicant shall furnish the information or the clarification within seven common working days from the date of the service of notice in FORM GST REG-04.

- (4) Upon receipt of the information or clarification in FORM GST REG-04 , the proper officer may proceed to dispose of the application in the manner specified in sub-rule (2) within thirty days from the receipt of such information or clarification from the applicant:

Provided that the application shall not be rejected without affording the applicant an opportunity of being heard by issue of a notice in FORM GST REG-19 within thirty days from the date of receipt of such application.

14. Migration of persons registered under Earlier Law

- (1) Every person registered under an earlier law and having a Permanent Account Number issued under the Income Tax Act, 1961 (Act 43 of 1961) shall be granted registration on a provisional basis and a certificate of registration in FORM GST REG21, incorporating the Goods and Services Tax Identification Number (GSTIN) therein, shall be made available on the Common Portal.
- (2)(a) Every person who has been granted a provisional registration under subrule (1) shall submit an application electronically in FORM GST REG-20, duly signed, along with the information and documents specified in the said

application, on the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner.

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- (b) The information asked for in clause (a) shall be furnished within the period specified in section 142 or within such further period as may be extended by the Board or Commissioner in this behalf.
- (c) If the information and the particulars furnished in the application are found, by the proper officer, to be correct and complete, a certificate of registration in FORM GST REG-06 shall be made available to the registered taxable person electronically on the Common Portal.
- (3) Where the particulars and/or information specified in sub-rule (2) have either not been furnished or not found to be correct or complete, the proper officer shall cancel the provisional registration granted under sub-rule (1) and issue an order in FORM GST REG-22:
Provided that no provisional registration shall be cancelled as aforesaid without serving a notice to show cause in FORM GST REG-23 and without affording the person concerned a reasonable opportunity of being heard.
- (4) Every person registered under any of the earlier laws, who is not liable to be registered under the Act may, at his option, file electronically an application in FORM GST REG-24 at the Common Portal for cancellation of the registration granted provisionally to him and the proper officer shall, after conducting such enquiry as deemed fit, cancel the said provisional registration.

15. Method of authentication

- (1) All applications, including reply, if any, to the notices, returns, appeals or any other document required to be submitted under these rules shall be filed electronically at the Common Portal with digital signature certificate or

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through e-signature as specified under Information Technology Act, 2000 (21 of 2000) or through any other mode of signature notified by the Board/Commissioner in this behalf.

- (2) Each document including return filed online shall be signed by -
- (a) in the case of an individual, by the individual himself or by some person duly authorised by him in this behalf and where the individual is mentally incapacitated from attending to his affairs, by his guardian or by any other person competent to act on his behalf;
 - (b) in the case of a Hindu Undivided Family, by a Karta and where the Karta is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member of such family or by the authorised signatory of such Karta;
 - (c) in the case of a company, by the chief executive officer or authorised signatory thereof;
 - (d) in the case of a Government or any Governmental agency or local authority, by an officer authorised in this behalf;
 - (e) in the case of a firm, by any partner thereof, not being a minor or authorised signatory;
 - (f) in the case of any other association, by any member of the association or persons or authorised signatory;
 - (g) in the case of a trust, by the trustee or any trustee or authorised signatory; and
 - (h) in the case of any other person, by some person competent to act on his behalf.

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(2) All orders and notices under this chapter / Part shall be issued electronically by the proper officer or any other officer authorised to issue any notice or order, through digital signature certificate specified under the Information Technology Act, 2000 (21 of 2000).

16. Extension in period of operation by casual taxable person and non-resident taxable person

(1) Where a registered casual taxable person or non-resident taxable person intends to extend the period of registration indicated in his application of registration, an application in Form GST REG-25 shall be furnished electronically through the Common Portal either directly or through a Facilitation Centre, notified by the Board or Commissioner by such person before the end of the validity of registration granted to him.

(2) The application under sub-rule (1) shall be acknowledged only on payment of the amount specified in sub-section (2) of section 19A.

17. Physical verification of business premises in certain cases

Where the proper officer is satisfied that the physical verification of the place of business of a taxable person is required after grant of registration, he may get such verification done and upload the verification report along with other documents, including photographs, in Form GST REG-26 on the day following the date of such verification.

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S. No.	QUESTIONS	OPT. 1	OPT. 2	OPT. 3	OPT.4	ANSWER
UNIT - IV						
1	CST is a tax on_____ sale of goods.	Intra-state	Inter- state	with other country	.within distirct	Inter- state
2	_____ is authorised to formulate principles for determine when a sale or purchase takes place outside the state	parliament	commissioner	central excise dept	.customs dept	parliament
3	_____ are excluded specifically from the purview of both union and state list.	.petrol	.cigrattes	oils	newspapers	newspaper s
4	According to section 9A of the CST Act, collection of tax has to be made only by_____	unregistered dealer	Registered Dealer	.Manufactur e	.retailer	.Registered Dealer
5	As per section _____of the CSt Act, the CSt payable shall be collected in the state from which the movement of goods commenced	9(2)	9(3)	9(4)	.9(1)	9(1)
6	_____ is described as a toll or tax levied at the gates of acity on articles brought into the city.	sales	.goods	octroi	article	.octroi

7	According to section_____ of the Act , the amount of tax, interest, penalty,fine and the amount of refund due shall be rounded off to the nearest rupee.	9A	9B	9C	9D	9B
8	Form F is used for _____	stock transfer	sale transfer	goods transfer	.article transfer	stock transfer
9	Determinationof turnover for the purpose of CST is dealt in _____	section8B	section 9	section8A	section11(1)	section8A
10	Determination of levy and collection of tax covered under the section_____	section8	section 10	section7	.section9	.section9
11	Determination of offences for the purpose of CST is dealt in_____	section10to 12	section9to10	section8to9	section7to9	section10t o 12
12	Sales tax is not leviabale in respect of _____	cotton	.sugar	.petrol	stocks and shares	stocks and shares
13	Penultimate sale is dealt in the CST Act under_____	section 5(1)	.section5(2)	section5(3)	section5(4)	section5(3)
14	Penultimate sale came into force from_____	1.4.1976	.1.4.1980	1.4.1984	1.4.1985	1.4.1976

15	The central sale tax 1956 came in to force with effect from _____	1-Jul-51	1-Jul-56	1-Jul-58	1-Jul-55	01.07.1956
16	Sales tax is levied on the transaction of _____	sale of goods	.Purchase of goods	Manufacture of goods	.service of goods	sale of goods
17	_____ is deals goods declared under section 14 which are to be of special importance in inter-state trade .	Declared goods	.goods	.customs goods	.sale of goods	Declared goods
18	Penultimate sale is dealt in the CST Act under _____	.section 5(1)	.section5(2)	section5(3)	section5(4)	section5(3)
19	_____ is authorised to formulate principles for determine when a sale or purchase takes place outside the state	parliament	commissioner	.central excise dept	.customs dept	parliament
20	Customs and central excise duties Drawback rules, 1995 came into force on the	15th day of january	15th day of august	15th day of august	26th day of may	26th day of may
21	Which of the following is not correct in respect of Prohibited Goods	Can be or cannot be or treated as free goods	Cannot be imported	can be imported subject to certain	Both a and b	can be imported subject to certain
22	Which of the following is correct in respect of Restricted Items	Can be or cannot be or treated as free goods	Cannot be imported	Can be imported against authorizatio	Both a and b	Can be imported against authorizati

23	ICEGATE denotes	Indian Custom and Central Excise	Indian Central Excise Gate Way	Indian Control for Excise and Customs	Both a and b	Indian Custom and Central
24	Is Bill of Entry can be filed before arrival of goods?	No	Yes, can be filed upto 30 days before the arrival of	Yes, can be filed upto 60 days before the arrival of	Yes, can be filed upto 50 days before the arrival of	Yes, can be filed upto 30 days before the
25	DFIA Means	Duty Free Import Authorisation	Duty For Import Authorisation	Duty Debit For Import Authorisation	Duty Debit For export Authorisation	Duty Free Import Authorisation
26	Which of the following document is not necessary to clear the imported goods	Bill of Entry, Bill of Lading	Import invoice	Country of origin	Both a and b	None of the above
27	Which of the following is necessary to import goods for commercial purpose	Central Excise Registration	IEC Number	IFEC Number	TIN Number	IEC Number
28	IEC means	Import Export Code	Import Excise Goods Code	Import Excise and Customs code	Both a and b	Import Export Code
29	At what rate interest is payable on the delayed payment of customs duty	10%	12%	15%	36%	15%
30	Under which Section interest attracts on the delayed payment of customs duty	U/s 47 of Customs Act, 1962	U/s 48 of Customs Act, 1962	U/s 49 of Customs Act, 1962	U/s 49 of Customs Act, 1965	U/s 47 of Customs Act, 1962

31	Which Customs Procedures followed in India?	Brussels Convention	Kyoto Convention	Tokyo Convention	Japan convention	Tokyo Conventio n
32	Can imports made from any country	Yes, except Pakistan	Yes, except Iraq	Yes, except Iran	Both a and b	Yes, except Iraq
33	What is ACS?	Automatic Computer System	Automatic Customs System	Accredited clearance of Imports and Exports	Both a and b	Accredited clearance of Imports and
34	NCCD stands for	National calamity contingent dutv	National Customs contingent dutv	National Central Excise contingent	None of these	National calamity contingent dutv
35	Rate of NCCD on imported crude oil	Rs 25 per metric tone	Rs 45 per metric tone	Rs 50 per metric tone	Rs 100 per metric tone	Rs 50 per metric tone
36	Rate of NCCD on mobile phones, two wheelers, motor cars and multi utility vehicles	1%	2%	3%	5%	1%
37	FMS stands for	Free Market Scheme	Focus Market Scheme	Foreign Exchange Management Scheme	Focus Exchange Management Scheme	Focus Market Scheme
38	FPS stands for	Focus Product Scheme	Focus Promoted Scheme	Focus Planning Scheme	Foreign Planning Scheme	Focus Product Scheme

39	VKGUY Stands for	Vishesh Krishi and General Udyog Yojana	Vishesh Krishi and Gram vyapadhi	Vishesh Krishi and Gram Udyog Yojana	None of these	Vishesh Krishi and Gram Udyog
40	RMS stands for	Raw Material System	Risk Management System	Regular Management System	Renewal management system	Risk Management System
41	Which charges are payable to port trust authorities for delay in clearing goods	Delay charges	Demurrage Charges	Penal charge	Other charge	Demurrage Charges
42	IGM stands for	Import Goods Manifest	Import General Manifest	Import Goods Management system	Import Goods Measurement system	Import General Manifest
43	Goods which are not imported transported from one port in India to another port in India such goods are called as	Coastal Goods	Central Excise Goods	Duty Free Goods	Duty goods	Coastal Goods
44	EGM stands for	Export General Manifest	Export Goods Manifest	Export Goods Management System	Export Goods measurement system	Export General Manifest
45	IGM/EGM given by:	Person in charge of the vehicle, vessel or	Importer or Exporter	Customs authorities	Both a and b	Person in charge of the vehicle, vessel or
46	Under which section Entry Inward is granted by the Customs Officer	U/s 31 of Customs Act, 1962	U/s 32 of Customs Act, 1962	U/s 33 of Customs Act, 1962	U/s 43 of Customs Act, 1962	U/s 31 of Customs Act, 1962

47	Bill of Entry for clearance from warehouse on payment of duty is called as	Into Bond Bill of Entry	Ex Bond Bill of Entry	Delivery Bill of Entry	Duty Bill of entry	Ex Bond Bill of Entry
48	Ex Bond Bill of Entry is printed on	White Paper	Yellow Paper	Green Paper	Pink paper	Green Paper
49	FOB means	Freight on Board	Flight on Board	Free on Board	Free and Flight on Board	Free on Board
50	CIF means	Cost, Insurance and Freight	Cost for Imported Goods	Cost for Insurance	Cost for exported Goods	Cost, Insurance and Freight
51	Importer should submit declaration in electronic format to	Customs Center	Service Center	Data Center	Export Center	Service Center
52	Time limit for claiming refund u/s 27 of Customs Act, 1962 is	One Month	Six Months	Three Months	Seven Months	Six Months
53	P D Bond means	Provisional Duty Bond	Professional Duty Bond	Payment of Duty through Bond	Protested Duty Bond	Provisional Duty Bond
54	DEPB schemes means	Duty Entitlement Pass Book	Duty Exempted Pass Book	Duty Export Pass Book	Duty Exempted Provisional by Bond	Duty Entitlement Pass Book

55	In case of a vehicle, Import Report is to be submitted	Within 10 hours of arrival of the vehicle	Within 20 hours of arrival of the vehicle	Within 12 hours of arrival of the vehicle	Within 24 hours of arrival of the vehicle	Within 12 hours of arrival of the vehicle
56	How many Chapters are there under I Schedule of Customs Tariff Act	99 Chapters	97 Chapters	96 Chapters	95 Chapters	99 Chapters
57	Which Chapter is kept blank for possible future use in Customs Tariff Act	Chapter 78	Chapter 77	Chapter 76	Chapter 75	Chapter 77
58	DEPB is a	Duty Exemption Scheme	Duty Remission Scheme	Duty Refund Scheme	Duty Electronic processing Scheme	Duty Remission Scheme
59	Advance License Scheme is a	Duty Exemption Scheme	Duty Remission Scheme	Duty Refund Scheme	Duty Electronic processing Scheme	Duty Exemption Scheme
60	Charging section for levy of Customs duty	Section 12 of CTA, 1962	Section 11 of CTA, 1962	Section 14 of CTA, 1962	Section 15 of CTA, 1962	Section 12 of CTA, 1962

UNIT V

UNIT - V

Registration under GST: Return Filing- Rules- Refund Provision in GST – E –commerce-operators- TDS/TCS- Small scale exemption.

REGISTRATION UNDER GST

GST RETURN FILING

Filing GST return under the GST regime is crucial as non-compliance and delay will result in penalties and affect your compliance rating and timely refunds.

What is GST Return?

A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

Under GST, a registered dealer has to file GST returns that includes:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

To file GST returns, GST compliant sales and purchase invoices are required. You can generate GST compliant invoices for free on ClearTax BillBook.

Who has to file GST Returns?

In the GST regime, any regular business has to file three monthly returns and one annual return. This amounts to 37 returns in a year. The beauty of the system is that one has to manually enter details of one monthly return – GSTR-1. The other two returns – GSTR 2 & 3 will get auto-populated by deriving information from GSTR-1 filed by you and your vendors. There are separate returns required to be filed by special cases such as composition dealers.

What are the types of GST Returns?

Here is a list of all the returns to be filed under the GST Law.

1. Any regular business:

Return Form	Particulars	Interval	Due Date
<u>GSTR-1</u>	Details of outward supplies of taxable goods and/or services effected	Monthly	10th of the next month
<u>GSTR-2</u>	Details of inward supplies of taxable goods and/or services effected claiming input tax credit.	Monthly	15th of the next month
<u>GSTR-3</u>	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Monthly	20th of the next month
<u>GSTR-9</u>	Annual Return	Annually	31st December of next financial year
<u>GSTR-3B</u>	Provisional return for the months of July and August	Monthly	20th of the next month

GSTR 3B is a simple return that businesses need to file in the first two months of GST (July and August, 2017). The government has postponed the filing of GSTR 1, 2 & 3 for July and August, 2017 in order to give businesses some time to adjust to GST.

Forms	For July 2017	For August 2017
<u>GSTR-3B</u>	20th August	20th September
<u>GSTR-1</u>	1 st -5th September	16 th -20th September
<u>GSTR-2</u>	6 th -10th September	21 st – 25th September
<u>GSTR-3</u>	11 th – 15 th September	26 th – 30 th September

There is no buyer-seller reconciliation for July & August. There is no late fee or penalty levied for the months of July and August in the case of delayed return filing.

2. A dealer opting for **composition scheme** :

A composition dealer will enjoy the benefits of lesser returns & compliance along with payment of taxes at nominal rates. A composition dealer will file only 2 returns:

Return Form	Particulars	Interval	Due Date
<u>GSTR-4</u>	Return for compounding taxable person	Quarterly	18th of the month succeeding quarter
GSTR-	Annual Return	Monthly	31st December

9A			of next financial year
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3. Returns to be filed by specific registered dealers:

Return Form	Particulars	Interval	Due Date
<u>GSTR-5</u>	Return for Non-Resident foreign taxable person	Monthly	20th of the next month
<u>GSTR-6</u>	Return for Input Service Distributor	Monthly	13th of the next month
<u>GSTR-7</u>	Return for authorities deducting tax at source.	Monthly	10th of the next month
<u>GSTR-8</u>	Details of supplies effected through e-commerce operator and the amount of tax collected	Monthly	10th of the next month
<u>GSTR-10</u>	Final Return	Once. When registration is cancelled or surrendered	Within three months of the date of cancellation or date of cancellation order, whichever is later.

<u>GSTR-11</u>	Details of inward supplies to be furnished by a person having UIN and claiming refund	Monthly	28th of the month following the month for which statement is filed
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E-COMMERCE OPERATORS

As per section 43B(d) of the MGL defines an Electronic Commerce to mean the supply or receipt of goods and/ or services, or transmitting of funds or data, over an electronic network, primarily the internet, by using any of the applications that rely on the internet, like but not limited to e-mail, instant messaging, shopping carts, web services, universal description Discovery and integration (UDDI), File Transfer Protocol (FTP) and Electronic Data Interchange (EDI) whether or not the payment is conducted online and whether or not the ultimate delivery of the goods and/or services is done by the operator.

Section 43B(e) of the Indian GST Law defines an Electronic Commerce Operator (Operator) as every person who, directly or indirectly, owns, operates or manages an electronic platform which is engaged in facilitating the supply of any goods and/or services. Also a person providing any information or any other services incidental to or in connection with such supply of goods and services through electronic platform would be considered as an Operator.

The GST Law also explains that a person supplying goods/services on his own account, however, would not be considered as an Operator. For instance, Amazon and Flipkart are e-commerce Operators because they are facilitating actual suppliers to supply goods through their platform (popularly called Market place model or Fulfilment Model). However, Titan supplying

watches and jewels through its own website would not be considered as an e-commerce operator for the purposes of this provision. Similarly, Amazon and Flipkart will not be treated as e-commerce operators in relation to those supplies which they make on their own account (popularly called inventory Model).

Here, the meaning and definition of e-commerce is explained as per GST Law of India. Please comment your views about definition and meaning of e-commerce operator under GST Law in India.

GST AND ITS IMPACT ON SMALL SCALE INDUSTRIES

Small scale industries play a significant role in the overall growth of an economy. This industry is mainly specialized in the production of consumer commodities. SSIs generate huge employment due to the utilization of labour power for the production of goods. In a developing country like India where unemployment is a major problem; these industries pave the way for employment of skilled and non-skilled persons. The implementation of GST is certainly going to affect this sector and the employees associated with it.

Any tax-regime should ensure such an environment in which the proper growth of small scale industries may be assured. The First Discussion Paper (FDP) produced by the Empowered committee of state finance ministers and report of the thirteenth finance commission's Task Force have provided some important suggestions with respect to this sector.

Imposition of CGST and SGST as per above said reports on turnover of goods and services are as under:

Turnover of goods	Turnover of services	Applicable taxes(according to FDP)
Below 10 lakhs	Below 10 lakhs	Both SGST and CGST are not

		applicable
Between 10 lakhs and 150 lakhs	Between 10 lakhs and 'Y' figure	Only SGST
Above 150 lakhs	Above 'Y' figure	Both SGST and CGST

But the Task Force is of the view that the small dealers (including service providers) and manufacturers should be exempted from the purview of both CGST and SGST if their annual aggregate turnover (excluding both CGST and SGST) of all goods and services does not exceed Rs.10 lakhs. However, those below the threshold limit may be allowed to register voluntarily to facilitate sales to other registered manufacturers / dealers, so that the cascading effect or tax may be avoided, if desired.

At present the small scale industries are entitled to exemptions from payment of CENVAT in respect of their turnover upto 1.5 crore. However, there is no such threshold exemption in respect of state level VAT. As per the recommendations of Department of Revenue (DOR), the threshold for goods and services should be common between the Centre and the State, on one hand and between goods and services, on the other. Also the DOR has suggested that the annual turnover threshold could be Rs. 10 lakhs or even more than that. This threshold exemption should not apply to dealers and service providers who undertake inter-state supplies. This would not be in the favour of small dealers, as it will restrict their growth or force them to get registered. Hence a provision of threshold limit should be there to allow the small dealers to indulge in inter-state sale.

INDIRECT TAXATION

PART – B POSSIBLE QUESTIONS

Unit V

1. Discuss the Return Filing.
2. Explain Rules for return filing..
3. Briefly explain Refund Provision in GST.
4. Discuss in detail about E –commerce.
5. TDS/TCS – discuss in detail.
6. Briefly explain Small scale exemption.

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S. No.	QUESTIONS	OPT. 1	OPT. 2	OPT. 3	OPT.4	ANSWER
UNIT - V						
1	Tamil Nadu Value Added Tax Act 2006 has come into effect from _____	1st January 1997	1st April 2007	1st January 2007	1st November 2007	1st January 2007
2	VAT is a _____ on goods that is levied across various stages of production and supply with credit given for tax paid at each stage of Value addition.	multi-stage tax	single point tax	direct tax	cess	multi-stage tax
3	VAT avoids _____ taxation	multiple	double	compund	single	double
4	For the final consumer, not being VAT-registered, VAT simply forms part of the _____	purchase price	product price	cost of sales	tax	purchase price
5	Goods does not includes , _____	Newspaper	all materials	commodities	articles	Newspaper
6	“Output tax” means tax paid or payable under this Act by any registered dealer in respect of _____	sale of any goods	purchase of goods	manufacture	export	sale of any goods

7	_____ means a sale of any goods on which no tax is payable	Export	Import	Inter-state	zero rate sale	zero rate sale
8	The dealer, who pays tax under this section, shall be entitled to input tax credit on goods specified in the _____ purchased by him in the State	First Schedule	Fifth Schedule	Seventh Schedule	Third Schedule	First Schedule
9	Every registered dealer, in respect of _____ of capital goods, shall be allowed input tax credit in the manner prescribed.	purchases	manufacture	processing	sale	purchases
10	No _____ shall be allowed on tax paid or payable in other States or Union Territories on goods brought into this State from outside the State.	discount	rebate	input tax credit	output tax	input tax credit
11	No registered dealer shall be entitled to _____	input tax credit	input tax	output tax	CST	input tax credit
12	TIN indicates	Tax Payer Identification Number	Tax Payer Indication Number	Tax Payer Invoice Number	Tax Payer Index Number	Tax Payer Identification Number
13	VAT is calculated by deducting tax credit from tax collected	during the payment period	during the financial year	during any period	during the purchase period	during the payment period
14	Gold comes under _____ Schedule	Sixth	First	Third	Seventh	First

15	Second Schedule of VAT covers _____ items	81	100	150	75	150
16	_____ is the compounded rate of tax under third schedule if the total turnover exceeds thirty lakhs of rupees but does not exceed forty lakhs of rupees	Rs. 36,000/- p.a.	Rs. 62,000/- p.a.	Rs. 63,000/- p.a.	Rs. 18,000/- p.a.	Rs. 36,000/- p.a.
17	_____ items are exempted from VAT	27	18	54	81	81
18	SEZ indicates _____ -	Special Economic Zone	Special Element Zone	Specific Economic Zone	Simple Economic Zone	Special Economic Zone
19	0 per cent rate of tax in VAT is called _____	Zero-rate	No rate	Nil rate	Null rate	Zero-rate
20	VAT Act replaces _____	TNGST ACT	CST Act	Customs Act	Finance Act	TNGST ACT
21	VAT is a form of _____	Direct Taxation	indirect taxation	business	product	indirect taxation
22	VAT is based on _____ principle	value added	single point	accounting	economic	value added

23	VAT is based on _____ system	compulsory assessment	public assessment	self-assessment	department assessment	self-assessment
24	VAT paid on purchases of goods is termed as _____	Input tax	output tax	sales tax	direct tax	Input tax
25	Output tax is the tax which is charged on the _____ of goods	sale	purchase	manufacture	export	sale
26	when exclusive ownership of goods passes from one person to another, it is called as _____	purchase of goods	production of goods	hire purchase	Supply of goods	Supply of goods
27	Registration fees for VAT is _____	Rs. 500	Rs. 50	Rs. 5,000	Rs. 250	Rs. 500
28	Certificate of Registration of VAT is issued within _____ days	30	50	15	60	30
29	CENVAT indicates _____	Central Value Added Tax	Central Variable Tax	Central Value Tax	Common Value Added Tax	Central Value Added Tax
30	The goods not covered by VAT are taxed under _____	CST Act	Sales Act	Customs Act	TNGST Act	Sales Act

31	Ultimately, the tax is borne by the consumers, and hence termed as _____	Consumption Tax	Sales Tax	Value Added Tax	Corporate Tax	Consumption Tax
32	Input tax credit can be set - off against the _____ paid by a registered dealer.	input tax	import tax	output tax	export tax	output tax
33	Registration of dealers with gross annual turnover above _____ would be compulsory	Rs. 5,00,000	Rs. 10,00,000	Rs. 15,00,000	Rs. 50,00,000	Rs. 5,00,000
34	Special rates are levied under _____	Third Schedule	Second Schedule	First Schedule	Seventh Sxhedule	Second Schedule
35	The VAT Act contains _____ sections	88	99	66	22	88
36	Schedule 1, Part B goods are taxable at the rate of _____ percent	6	2	8	4	4
37	Goods requiring transit pass is covered under _____	Sixth Schedule	Fourth Schedule	Seventh Schedule	First Schedule	Sixth Schedule
38	To register under TNVAT Act, the application should be made in _____	Form A	Form D	Form G	Form F	Form A

39	Any dealer registered under Sec. 38 of the VAT Act will be _____	casual dealer	agent	Registered dealer	deemed dealer	Registered dealer
40	Capital goods are in general, _____ -	Movable assets	current assets	fictitious assets	immovable assets	Movable assets
41	_____ does not reside or has no fixed place of business within the state	deemed dealer	Casual Trader	consignee	shop keeper	Casual Trader
42	Tax invoice is popularly known as _____	receipt	pass	bill	document	bill
43	TIN is a _____ digit number	11	16	18	10	11
44	No input tax credit is allowable to those dealers who opted for _____	compounded scheme	zero rated tax	single tax	multiple tax	compounded scheme
45	The dealers who effect second and subsequent sale in the state is entitled to pay VAT not exceeding _____	4%	12.50%	3%	1%	1%
46	Input tax credit should be allowed for the purchase of goods made within the state from a _____	Registered dealer	unregistered dealer	any other dealer	casual trader	Registered dealer

47	Under VAT after the expiry of _____, the unavailed Input Tax Credit shall stand lapse to Government	5 years	2 years	3 years	1 years	3 years
48	Under VAT system the amount of security will not exceed _____ of the tax payable	one half	two third	one third	three fourth	one half
49	Certificate of Registration of VAT is issued in _____	Form D	Form C	Form B	Form A	Form D
50	Copy of partnership and _____ should be duly filled up and signed by all partners in case of VAT	Form XII	Form IX	Form X	Form XI	Form IX
51	A _____ tax is in the nature of charge for services	value added	service	sales	input	service
52	Service tax was introduced through Chapter V of the _____	Finance Act, 1994	Finance Act, 1944	Finance Act, 2004	Finance Act, 1964	Finance Act, 1994
53	Service tax is administered by the _____ department	Central Excise	customs	revenue	sales	Central Excise
54	In the beginning the service tax was levied only on _____ services	five	seven	three	one	three

55	The impact of service tax is on the _____ of taxable services	provider	dealer	agent	casual trader	provider
56	Upto 2007 _____ services were brought under the service tax net	50	200	1000	100	100
57	Persons who are liable to pay service tax are required to register themselves with _____ department	Central Excise	Income tax	revenue	sales	Central Excise
58	Service Tax Code number is a _____ digit alpha - numeric code	15	7	25	9	15
59	The application for registering under service tax should be submitted in _____	Form No. ST - 2	Form No. ST - 1	Form No. ST - 6	Form No. ST - 5	Form No. ST - 1
60	The service tax registration certificate will be issued in _____ within 7 days from the date of receipt of the application	Form No. ST - 1	Form No. ST - 6	Form No. ST - 5	Form No. ST - 2	Form No. ST - 2